

U.S. Court Broadens Rights Act

Law Can Protect
Jews and Arabs,
High Court Says

The Associated Press
WASHINGTON — The Supreme Court ruled Monday that U.S. civil rights laws aimed primarily at helping blacks could also protect Jews and Arabs against discrimination.

The court, in two unanimous decisions that appeared to expand significantly the scope of civil rights legislation, said in effect that the concept of race was not limited to modern definitions.

In one case, the court cleared the way for a suit by an Arab who said he was denied tenure on a Pennsylvania college faculty because of racial discrimination.

In the second case, the court reinstated a suit by a Jewish congregation in Silver Spring, Maryland, against vandals who defaced a synagogue with anti-Semitic and Nazi-type slogans and symbols.

Justice Byron R. White, writing for the court, said a law dating from shortly after the Civil War that was designed primarily to protect blacks was also designed to help other ethnic groups.

"We have little trouble in concluding that Congress intended to protect from discrimination identifiable classes of persons who are subjected to intentional discrimination solely because of their ancestry or ethnic characteristics," he wrote.

Such discrimination is what the law was intended by Congress "to forbid, whether or not it would be classified as racial in terms of modern scientific theory," he said.

Mr. White said, moreover, that an Arab or a Jew might be subject to discrimination even if he or she did not have a distinct ethnic appearance.

"A distinctive physiognomy is not essential to qualify for protection under the civil rights law," he said.

While Arabs and Jews are considered members of the Caucasian race, Mr. White said, they are entitled to legal protection because they were considered to be distinct races at the time the legislation was enacted.

Majid Ghaidan al-Khazraji had been an associate professor at St. Francis College of Loretto, Pennsylvania, for more than five years when he was denied tenure in 1978.

A U.S. citizen born in Iraq, he sued the college under the Civil Rights Act.



Police Battle Protesters on Kwangju Anniversary

A riot policeman in Seoul was sprayed Monday with a fire retardant after being set ablaze by a bottle bomb thrown by university students. Demonstrations by students, workers and religious activists throughout the country marked the anniversary of the 1980 anti-military revolt in Kwangju. Although a memorial service in that southern city was permitted, a bus carrying elderly women and some of those injured in 1980 was hit with police tear-gas grenades and its windows smashed. By evening, 226 people had been detained. Page 5.

Missile Response Puts Kohl in a Tight Spot Stance on Removal Hardened

By James M. Markham

New York Times Service

BONN — In trying to fashion a coherent response to Soviet proposals for the abolition of medium and shorter-range missiles in Europe, Chancellor Helmut Kohl has stumbled into one of the most politically painful passages of his five and a half years in office.

The chancellor said at a news conference on Monday that the elimination of the two categories of weapons systems would leave West and East German territory uniquely targeted by tactical missiles, mines and artillery shells that could do damage on both sides of the wall and beyond it.

According to those privy to his thinking, he is also concerned that the removal of both medium- and shorter-range missiles would make West Germany an object of blackmail by the Soviet Union, which could exploit its superiority in conventional and chemical weapons just east of the East German-West German border to encourage neutralist sentiment in West Germany.

Mr. Kohl and much of his Christian Democratic Party have a formidable coalition arrayed against their rear-guard effort to stave off a so-called "double zero" solution: Moscow, Washington, London and, not least, Foreign Minister Hans-Dietrich Genscher and his small Free Democratic Party. Only Prime Minister Jacques Chirac of France is unequivocally on the chancellor's side.

The domestic price of Mr. Kohl's foot-dragging on the missile issue was brought home to the Christian Democrats in important state elections in Hamburg and Rhineland-Palatinate on Sunday. The Free Democrats, plugging "double zero," did extremely well and their Christian Democrat coalition partners did very badly, particularly in Rhineland-Palatinate.

The Christian Democrats have muddled the waters with a bewildering array of positions, but in the confusion one question stands out starkly: Is Bonn willing to commit itself to a limited deployment and modernization of shorter-range missiles, with ranges of 300 to 600 miles (500 to 1,000 kilometers), to match the Soviet superiority in this weapons category?

Defense Minister Manfred Wörner has readied just such a plan, according to West German officials. It calls for the West German military to have 40 Pershing missiles. Page 2

By Peter Maass

International Herald Tribune

BRUSSELS — The North Atlantic Treaty Organization remains in disarray over formulating a response to the proposed U.S.-Soviet accord on banning nuclear missiles in Europe, alliance officials said Monday.

Although the NATO foreign ministers are expected to formally endorse the banning of both intermediate- and short-range missiles at their meeting June 11-12 in Reykjavik, preparations for the meeting may be more difficult than foreseen, according to diplomats at the alliance headquarters here.

The prospect of a U.S.-Soviet arms control pact on these weapons has provoked concerns on the continent that the United States will unilaterally disarm in the defense of its European allies.

The diplomats described the atmosphere at NATO headquarters as chaotic after a series of developments last week clouded prospects for a united response to Moscow's proposal.



Helmut Kohl

Bonn's Position Confuses NATO

By Peter Maass

International Herald Tribune

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28 Killed on U.S. Ship; Gulf Units Put on Alert

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan, responding to the Iraqi attack on the USS Stark that killed at least 28 American servicemen, placed U.S. forces on a higher state of alert Monday in the Gulf and authorized them to fire at Iranian or Iraqi aircraft showing hostile intent.

The White House announced the move after Mr. Reagan met with his top national security advisers to discuss the attack Sunday on the Stark, a guided missile frigate.

Pentagon sources said the ship did not try to shoot down the attacking plane or missile, even though it had at least a minute's warning. The casualties were the highest in any ship attack in the war between Iran and Iraq, which has lasted more than six and a half years.

"We have protested this attack in the strongest terms and we are investigating the circumstances of the incident," Mr. Reagan said. The United States filed protests with Iraq in Washington and Baghdad.

The White House and Pentagon said the attack, in which at least seven persons were injured, appeared to have been inadvertent.

In a written statement, the chief White House spokesman, Martin Fitzwater, said that Iran and Iraq had been notified of the "change in status" for U.S. ships in the Gulf.

"Under this status," he said, "aircraft of either country flying in a pattern which indicates hostile intent will be fired upon, unless they provide adequate notification of their intentions."

Mr. Fitzwater noted the "profound regrets" conveyed to the State Department by Iraq's ambassador to Washington, Nizar Hadad, on behalf of President Saddam Hussein.

Mr. Reagan pledged to keep the Gulf open to world shipping. "We remain deeply committed to supporting the self-defense of our friends in the Gulf and to ensuring the free flow of oil through the Strait of Hormuz," he said.

At a mid-afternoon meeting, the National Security Planning Group, representing the Pentagon, the State Department, the Central Intelligence Agency and other agencies, was to review the circumstances surrounding the attack and the ramifications for U.S. policy in the Gulf.

Reagan administration officials said U.S. policy was unchanged for the moment.

Vice Admiral Henry C. Mustin, a deputy chief of naval operations, called the incident "a sudden and unprovoked attack."

He acknowledged that, although

the U.S. frigate's weaponry could have been used against the missile or plane, apparently no defensive action was taken.

Robert B. Sims, spokesman for the Pentagon, said of the attack: "There is no indication of any deliberate, hostile intent," while Mr. Fitzwater said, "We believe it is an inadvertent strike."

Congressional sources, briefed by the Pentagon, said U.S. officials believed the attack Sunday night near Qatar was a mistake because Iraqi jets struck two tankers earlier Sunday about 60 to 70 miles (100 to 115 kilometers) north of where the U.S. frigate was.

"The assumption is that the Iraqi plane came in to finish off the tanker," said a congressional source.

See GULF, Page 2



Baghdad Admits Attack, Blames Pilot Confusion

Compiled by Our Staff From Dispatches

BAGHDAD — President Saddam Hussein of Iraq acknowledged Monday that Iraqi planes had attacked the U.S. guided-missile frigate Stark. He stressed that the attack had been accidental.

In a message to President Ronald Reagan, Mr. Hussein said: "This attack was not premeditated."

He said he hoped the incident would not affect U.S.-Iraqi relations.

A rare demonstration in Tehran underscores frustration with the war. Page 2.

According to the message, released here.

Mr. Hussein also asked Mr. Reagan to express his condolences to the relatives of the dead.

Earlier, the Iraqi Foreign Ministry said that if Iraqis were to blame for the attack on the U.S. frigate, "it must have been due to confusion or mistake by the pilots."

In Washington, a State Department spokesman said Iraq had been "very, very slow in giving us an official response."

The spokesman said the United States had protested "in the strongest terms" to the Iraqi Embassy in Washington and from the U.S. Embassy in Baghdad.

A White House official said the Iraqis had suggested a joint investigation of the attack.

An Iraqi statement said it was well known that the targets of Iraqi aircraft were "Iranian targets and not any other targets."

"Anyway, we do not think that the Americans or others can speculate that Iraq had aimed, or may ever aim, to hit a non-Iranian target in the Gulf," the statement said. "If this has happened, it must have been due to confusion or mistake by the pilots."

The United States has declared that the attack appeared to be inadvertent, with no hostile intention on the part of Iraq.

In Tehran, Prime Minister Mir Hussein Mousavi said Monday that the Gulf was not secure for the superpowers and that their warships should keep out of the waterway.

The Iranian press agency, IRNA, received in London, quoted Mr. Mousavi as saying in an interview that Washington had "lost face due to an evident blunder."

He said the incident would be difficult for the Reagan administration to justify.

Mr. Mousavi also noted that a Soviet tanker, the Marshal Chukov, was damaged by a mine explosion while traveling to Kuwait, which supports Iraq in the Gulf war. This, and the attack on the U.S. ship a few hours later, showed that the Gulf was not secure for the superpowers, he said.

Mr. Mousavi said such incidents could spread until oil exports from the Gulf were cut off completely.

A diplomatic source in the Gulf called the attack on the Stark a "tragic accident" and a U.S. diplomat said there was considerable relief in Gulf political circles that the attack apparently was not made by Iran.

Had Iran been to blame, diplomats said, the incident could have led to superpower involvement in the Gulf war. The United States claims neutrality in the war.

Richard W. Murphy, the U.S. assistant secretary of state for Near Eastern and South Asian Affairs, said during a visit to Baghdad on May 11 that any attack on a U.S. ship would be "a very serious affair." He warned, "We will do what is necessary to ensure the passage of our ships."

A Soviet freighter traveling from Kuwait to Saudi Arabia was attacked in the Gulf earlier this month, apparently by an Iranian gunboat. It was the first attack in the Gulf war on a ship flying a superpower flag.

(AFP, Reuters, UPI)

Panel on Iran Fears Loss Of Focus on Main Issues

By Charles R. Babcock

Washington Post Service

WASHINGTON — In discussing how to keep pressure on Colonel Moammar Gadhafi, the Libyan leader, shortly after the U.S. air raids in April 1986, a Reagan administration planning group came up with the idea of a ship with a radio transmitter to beam propaganda messages into Libya.

One participant recalled that Central Intelligence Agency officials had said it would take months to buy such a ship.

But Lieutenant Colonel Oliver L.

North of the National Security Council staff said he knew how the government could get a ship immediately: from a multimillion-dollar private slush fund established to

The U.S. Iran-contra panel is setting the stage for its two star witnesses. Page 3.

support the contra rebels in Nicaragua and managed by Richard V. Secord, a retired air force major general.

Documents released at the congressional Iran-contra hearings show that \$350,000 from a Swiss bank account controlled by General Secord was used to buy a ship in May 1986. A few days later, \$100,000 was withdrawn from the same account to purchase radio equipment, reportedly for an unrelated covert activity in a Caribbean country.

"It became irresistible to Oliver," a former security council colleague of Colonel North's recalled. "He had the means at his right hand to solve problems and it was so easy." "He was trying to short-circuit" the bureaucracy, the former colleague said, "but sometimes in the big world you can't do that."

As details emerge from the hearings of the White House staff's use of the pool of funds, some members of Congress have expressed concern that the focus on new revelations may overshadow more fundamental issues.

In interviews last week, several members of the House of Representatives and Senate intelligence committees said they were worried about more overriding questions.

These included the Reagan administration's apparent breach of

See FUND, Page 5

Kiosk New Zealand Jet Is Seized in Fiji

WELLINGTON, New Zealand (Reuters) — Air New Zealand said Tuesday that one of its Boeing 747s was being held in Fiji by a man who seized it.

Prime Minister David Lange said the man was a "would-be hijacker" who was not carrying arms but claims dynamite is fixed to his body and says he is carrying a bomb. One hundred and five passengers and 21 crew members have left the plane.



The British media owner Robert Maxwell has bid to buy the U.S. publisher Harcourt Brace. Page 9.

GENERAL NEWS

■ Prosperity is changing the longtime reputation of Tijuana, Mexico, as a center of vice and corruption. Page 3.

BUSINESS/FINANCE

■ U.S. factories, mines and utilities operated in April at the lowest rate in more than three years. Page 11.

■ A Japanese company violated a Western export embargo by selling electronic goods to North Korea. Page 11.

Dow close: DOWN 13.86
The dollar in New York:
DM £ Yen FF
1.7815 1.682 140.20 5.954

Fiji Coup Seems to Be Unraveling

By Keith B. Richburg

Washington Post Service

SUVA, Fiji — The Fijian military regime has shown signs of unraveling as the leader of Thursday's coup and the island's governor general appeared to be working on a face-saving compromise that could end the takeover.

By nightfall Monday, the army still appeared to be firmly in charge, though fewer soldiers were visible and all the troops had been removed from the governor general's mansion.

The governor general, Sir Penaia Ganilau, said in a radio address Sunday night that the military leaders had agreed that he could act as Fiji's chief executive.

He added that his first order was to tell the regime "to dismantle its organization as soon as it is possible to assure public order," to restore press freedom, to release everyone who had been arrested and "to withdraw to barracks all armed personnel not required for the maintenance of public security."

Sir Penaia's address was repeated several times on the government-run radio, which was seized Thursday by the army.

Some observers speculated that the military government was preparing the population for a graceful retreat since its coup had failed to attract either domestic support or international recognition.

The coup came in reaction against the recent election of a government dominated by people of Indian descent.

In a news release after the governor general's radio speech, the military authorities announced that the coup leader, Lieutenant Colonel Sitiveni Rabuka, had been sworn in by the governor general as the official chairman of the army-led Council of Ministers.

That announcement seemed to contradict the governor general's words. Some observers suggested that the swearing in might have been a face-saving compromise for Colonel Rabuka.

[United Press International] See FIJI, Page 2



Indian merchants closing up shop Monday in Suva, Fiji's capital, to protest the takeover Thursday by the military.

Superconductor Search: A Race and an Obsession

By Michael Specter

Washington Post Service

WASHINGTON — For months, Bertram Batlogg's life has been one part adrenaline and two parts obsession. A physicist at the Bell Laboratories of American Telephone & Telegraph Co., he has struggled frantically to comprehend the smallest subatomic workings of a material that may one day transform modern life.

Mr. Batlogg's life has become monastic, devoted to the limitless potential of high-temperature superconductors. His cluttered lab is strewn with discarded wafer boxes — plastic coffins for materials that do not work.

He has tried hundreds of ways to unlock the secrets of these new substances. And he is not alone.

Since last year, when two physicists at International Business Machines Corp. discovered ceramics that could carry electric current without energy-wasting resistance at higher temperatures than thought possible, thousands of scientists in the United States and elsewhere have virtually lived in their labs.

Advances have been so rapid that scholarly journals, the normal route of scientific communication, have been left in the dust. Iowa State University has established an on-line computer newsletter to keep scientists in the field up to the minute.

The excitement is so widely shared because a practical, high-temperature superconductor could revolutionize almost all uses of electricity.

If practical, superconductors also will become the basis for a gargantuan struggle, initially between the United States and Japan, over ways to exploit the new invention. Nobel prizes seem certain for some researchers. Huge profits are likely for more. And a significant advantage in global economic competitiveness awaits the country that masters the field first.

Almost every use of electricity suffers from resistance, an unavoidable phenomenon in conventional wires and other conductors that turns part of any flow of electrical energy into useless heat. Superconductors eliminate all waste, making old uses of electricity more efficient and offering new uses

that were impractical or impossible with ordinary conductors.

The pace of discovery has been exhilarating. But for the American scientists involved, success has been tempered by deep frustration. Having led the way in the race to understand the new materials, most of them wonder whether the United States will be the first to bring its inventions to market.

"For American science there has never been a better time," said Mr. Batlogg, sifting through stacks of telephone messages from colleagues reporting advances. "It's thrilling. But I suspect the first products will be from Japan. Whenever individual efforts count, we have been leaders. Yet, when it comes time to turn ideas into products, we are lost."

To illustrate his concern, Mr. Batlogg waved a recent special issue of the Japanese Journal of Applied Physics, a glossy book packed with new research. American physicists were astonished last month when their Japanese counterparts handed out 1,000 of the volumes free at a conference in California.

"They managed to put this together al-

most before we published a word," he said, smiling wilyly. "We all wonder, will the Japanese do it again?"

The fears are not without foundation. After inventing many of the marvels of modern technology, including the videocassette player, the color television and the computer chip, U.S. companies watched helplessly as industry from other countries shoved them out of the markets they created.

After years of seeing foreign competitors capitalize on Yankee ingenuity, many American scientists regard the effort to develop high-temperature superconductors as a final chance for the United States to reclaim technological supremacy.

"Scientists see this as the last industrial moment," said Frank Y. Fradin, a physicist at the Argonne National Laboratory near Chicago. "We need to grab it and hold on tight. If we don't pursue this one, we have to wonder what America wants to pursue. I mean, how many times do we have to get kicked in the teeth?"

He would not be asking the question if the

See SUPER, Page 2

In Tehran, Growing Evidence of Frustration With 6-Year War

By Loren Jenkins
Washington Post Service

TEHRAN — An anti-war demonstration last month by Revolutionary Guards urging "forgiveness" for President Saddam Hussein of Iraq has underscored a growing sense of war weariness among even the most zealous defenders of Iran's Islamic Republic.

The appearance of several hundred demonstrators seeking reconciliation with Iraq seemed almost heretical, given the animosity between the two warring countries and the mutual hatred of Mr. Hussein and Ayatollah Ruhollah Khomeini.

Iran's leader wasted little time in replying to the demonstrators. Within a week of the protest march, Ayatollah Khomeini made one of his rare public appearances. The 66-year-old ayatollah emphasized, once again, that as long as he lives he has no intention of ending the war until it causes the downfall of Mr. Hussein.

But the fact that the protest took place at all provoked much speculation. Unless at least one faction among the country's religious power brokers approved a chal-

lenge to existing policy, this kind of protest would not have taken place.

Since Ayatollah Khomeini emphatically ruled out any compromise, all talk of backsliding in the war effort, which has caused up to half a million casualties on each side, has ended, at least publicly. But foreign analysts say they do not believe that private debate has ceased.

"I think it is clear that so long as Khomeini remains alive and Saddam in power in Baghdad, the war will continue," said one foreign diplomat who has served in Tehran for most of the six-year war.

"But the merits of the war and how it is conducted," he said, "are very much an issue among those who are jockeying to inherit Khomeini's power."

The chief contenders for power include the speaker of the parliament, Hashemi Rafsanjani; President Ali Khamenei; Prime Minister Mir Hussein Mousavi and Ayatollah Hussein Ali Montazeri, who has already received the official nod to succeed Ayatollah Khomeini when the Iranian leader dies.

"Just where each stands on the war is not totally clear since publicly they all have to endorse it," said a Middle East-

ern ambassador. "But you can be sure you did not have a demonstration in favor of a negotiated peace in the streets."

The merits of the war and how it is conducted are very much an issue among those who are jockeying to inherit Khomeini's power.
— A foreign diplomat

of Tehran if someone powerful was not behind it." The demonstration lent credence for the first time to rumors that members of the Revolutionary Guards, or Pasdaran, the 350,000-strong corps of religious zeal-

ots who have led Iran's most successful offensives in the war, have begun to question the tactics of mass assault that they pioneered at great cost.

But when some of them sought to beseech the religious leadership to change the near-suicidal military tactics, Ayatollah Khomeini reportedly refused to hear of it.

The indications of disenchantment can be traced to the January offensive against Iraq's strategic southern port city of Basra.

In almost a month of human-wave assaults against Iraqi defenses, the Iranians managed to push about six miles (10 kilometers) into Iraq before the operation wound down in February. The estimated cost was staggering: close to 20,000 Iranians dead and another 45,000 to 50,000 wounded.

Iran is believed to be having little difficulty so far in filling its ranks with new Revolutionary Guards and the young, ill-trained Basijis, or volunteers from the countryside.

Last year, according to military analysts in Tehran, Iran was able to recruit about 300,000 volunteers for the war with very little effort, bringing their total

armed forces to more than one million men.

Many of the Basijis, however, are recruited for limited periods of a few months to serve in a particular offensive. They are then allowed to return home to their farms or villages. When the next offensives are under way, a new mobilization is called and often some of the same Basijis join up again.

Aside from providing volunteers to fill the ranks of the infantry led by the Pasdaran, Iran raised two new corps of Basijis this year. They were the 100,000-man Mohammed Corps and the 130,000-man Mahdi Corps.

"I don't think there is any real foot-dragging over the war from the peasantry, which is the largest single group fighting it," said a Western diplomat.

"Religious fervor and just old-time Iranian nationalism is such that no one is really against the war. But the issue which is being debated privately is just how it is being fought and at what cost," the diplomat said. "There are some who appear to be questioning not so much the war, but its cost in men, materials and, perhaps more importantly, in scarce foreign reserves."

Lange Hints At Help for Fiji Loyalists

By Michael Richardson
International Herald Tribune

SINGAPORE — Prime Minister David Lange of New Zealand said Monday that his government would "seriously consider" helping Fijian forces serving abroad to return home if they decided to oppose the military takeover of Fiji.

Interviewed by British Broadcasting Corp. radio, Mr. Lange asserted that only 10 officers controlled the rebel regime in Fiji.

Nearly half the regular army of about 2,500 men is serving in United Nations peacekeeping contingents in Lebanon and the Sinai Peninsula in Egypt, he said.

Mr. Lange said that 47 Fijian servicemen were training in New Zealand and that others, including Brigadier Ratu Epeli Nailatikau, the armed forces chief, were in Australia.

He said that it was "entirely possible" that these Fijian troops would remain loyal to their commander in chief, Fiji's governor general, Ratu Sir Penaia Ganilau.

Asked whether New Zealand would be prepared to help loyalist forces return to Fiji, Mr. Lange said: "That is an option open to governments in the region and New Zealand would seriously consider that."

He also said, however, that the best form of pressure for Fiji to achieve a return to constitutional rule would come from within the country itself and that talk of military intervention was unhelpful.

The deposed prime minister of Fiji, Timoci Bavadra, had appealed to Australia and New Zealand for help in putting down the coup.

Australia and New Zealand have the air and sea transport that would be needed to ferry an intervention force to Fiji.

In Canberra, Prime Minister Bob Hawke said that while Australia might consider economic sanctions to increase pressure against the military regime in Fiji, he would "not give any emphasis to the military option because we want peaceful processes to prevail."

Ferry Death Toll Now 187

Agence France-Presse

LONDON — The body of another victim of the Herald of Free Enterprise ferry disaster was recovered Saturday off the coast of Zeebrugge, Belgium, bringing the death toll in the March 6 accident to 187.

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FIJI: Coup Apparently Unraveling

(Continued from Page 1)

quoted a government official as saying Monday that Sir Penaia swore in Colonel Rabuka in exchange for a pledge that he would end military rule "as soon as it is possible."

Under the agreement as reported by UPL, Sir Penaia will swear in the remaining 10 members of the Council of Ministers on Tuesday.

What remained uncertain was the timetable for Colonel Rabuka to obey the governor general's order to restore press freedom and release prisoners, who include Prime Minister Timoci Bavadra and members of his month-old government.

The governor general, a native Fijian, is the personal representative of Queen Elizabeth II. She is officially the head of state for Fiji, a member of the Commonwealth.

Colonel Rabuka appeared to be paving the way for a retreat in a series of statements Monday from the Information Ministry and a radio announcement in which he seemed to be backing away from tough talk about having staged the coup to ensure ethnic Fijian political dominance.

One statement said he "asked the other races, especially the Indian community, to acknowledge that he and his soldiers had intervened to ensure that their lives and property remain protected."

In a later radio statement, he said, "I am very deeply concerned that there is an air of mistrust, suspicion and animosity amongst our communities."

He asked Fijians "to join me in a prayer for the understanding and goodwill of the Indian community" and told Indians: "I feel very deeply for your welfare."

At a press conference earlier in the week, he was more defiant, promising to change the constitution to ensure Fijians political power over Indians and broadly suggesting that he did not care if all Indians left the country.

People of Indian descent, who make up 49 percent of the population, control almost all businesses on Fiji. Ethnic Fijians, who account for 47 percent of the population, dominate the army. The rest of the population is of European and East Asian origin.

Senior judges from the country's courts issued a statement Sunday to the governor general condemning the coup as "illegal and invalid." Fiji's constitution, the judges said, "remains in force."

Some diplomats questioned how long Colonel Rabuka could keep his grip on the army, made up primarily of reservists.

"They can mobilize a fair amount of manpower very easily," said a Western diplomat. "How long they can keep them mobilized is another question."

The diplomat estimated that there were 700 regulars in the army, 600 National Guard troops and 1,000 reservists.

There have been clear signs of splits between the army and the police. One police officer told a reporter, "Why don't you write something so other countries will come and help us here?"

Another police officer pointed to his cane baton and said, "That is our weapon, so we can't argue with the barrel of a gun."

Despite signs that an end to the takeover was in sight, the military stepped up its crackdown on foreign journalists Monday. One re-



Colonel Sitiveni Rabuka

porter, Trevor Watson of Radio Australia, was expelled.

A radio reporter for the British Broadcasting Corp. was filing a dispatch from his hotel room when troops broke in, frisked him and locked him in the bathroom while they searched his room for notes and tape recordings.

Several reporters said their hotel rooms were ransacked Monday. A Time magazine reporter, John Dunn, said he returned to his room and discovered that soldiers had taken his passport, his credit cards, a tape recorder, his files on Fiji and his briefcase.

On Sunday night, reporters from The Washington Post, The New York Times and The Honolulu Star-Bulletin were taken into custody while interviewing spectators outside the house where Prime Minister Bavadra and other officials were being held.

The reporters were detained for about three hours and released after one of them gave some pages of a notebook to an army officer.

KOHL: A Tight Spot on Missile Issue

(Continued from Page 1)

18 missiles and for the United States to have 40 stationed in West Germany and several other West European nations; the warheads for the German missiles would remain under American control.

The Reagan administration has signaled that if Bonn approves a deployment plan Washington will withdraw its tentative endorsement of Mikhail S. Gorbachev's zero solution for shorter-range missiles. Secretary of State George P. Shultz has stressed publicly that without allied willingness to match the Soviet Union it makes little sense to refuse Mr. Gorbachev's offer to eliminate his shorter-range missiles.

It is precisely this dilemma that Mr. Kohl and his party friends cannot resolve. While strategic considerations tilt them toward Mr. Werner's camp, the fear of arousing anti-missile street demonstrations pushes them toward accepting the double zero plan.

The opposition Social Democrats have already promised fierce "resistance" to any attempt at arms modernization. The Free Democrats' chairman, Martin Bangemann, fired a shot across the Christian Democrats' bow, warning his coalition partners in a communiqué on Monday against "any thoughts of rearmament."

At his news conference, Mr. Kohl ducked a question about modernization but vigorously endorsed the need for the speedy ratification of a superpower accord eliminating medium-range missiles with a range of more than 600 miles. His strategy evidently has become to strive for what some arms experts are calling a "naked"

medium-range accord that would be effectively disconnected from the thornier shorter-range matter.

The second element of Mr. Kohl's approach has been to insist that the superpowers take into consideration not just shorter-range missiles in the 300-600 mile range but also so-called "battletfield" nuclear systems with even shorter ranges as well as chemical weapons and conventional forces.

NATO: Disarray on Pact

(Continued from Page 1)

proposal to remove both categories of missiles in Europe.

"Last week we seemed to be moving toward a situation where we were clarifying the European position," said one diplomat. "But it's undoubtedly more confusing now and more complex."

This confusion stemmed in part from a vague statement Friday by Chancellor Helmut Kohl of West Germany. He appeared to back the arms accord but also said that the ban must be widened to cover very short range "battletfield" nuclear weapons, which have a range of less than 310 miles (500 kilometers).

Medium-range missiles can travel from 600 to 3,000 miles, the short-range missiles from 300 to 600 miles.

The same day as Mr. Kohl made his statement, NATO defense ministers, meeting in Stavanger, Norway, issued a communiqué that called for the global elimination of medium-range missiles, not just those based in Europe. Until now, the U.S. position at the arms talks in Geneva has been that each side would retain 100 warheads on its territory.

Moscow would base its 100 warheads on its Asian flank.

But the defense ministers also expressed concern over the Warsaw Pact's advantage in conventional forces and chemical weapons, and failed to decide whether shorter-range missiles should be abolished in Europe.

"It's total chaos," said one aide at NATO headquarters.

Some diplomats at NATO said the communiqué calling for a global ban on medium-range missiles represented the ministers' long-term hopes, and thus was not at odds with the U.S. position.

However, many officials said the communiqué highlighted a desire by some NATO military strategists to achieve, in one step, a zero option on medium-range weapons.

Those strategists, the officials said, worry that the U.S. administration, seeking to score domestic political points by reaching an arms accord, is ignoring the danger posed to Europe by the 100 Soviet SS-20 warheads based in Asia.

Dikko Renews Asylum Appeal

The Associated Press

LONDON — Umaru Dikko, the exiled Nigerian who was found to be a spy for the British in 1984, appealed for asylum in Britain on Monday and said he feared for his life if he is sent back to his homeland.

Mr. Dikko, 51, was transport minister in the civilian government that was overthrown by the military in 1983, and fled to London three days after the coup. The Nigerian authorities want to extradite him to face charges of official corruption, which he denies.

The British government has not accepted his plea for asylum, and last year his visa was not renewed. Mr. Dikko renewed his request for asylum on Monday at an immigration appeal tribunal that is to decide whether he would face persecution if he were returned to Nigeria.

He said that he did not know what type of warning was issued but that he was sure it would have identified the warship as American.

Mr. Hamdoun met briefly Monday with State Department officials, but a department spokesman said the envoy "at this point had no explanation" for the attack.

Mr. Sims said at the Pentagon that an AWACS surveillance plane based in Saudi Arabia had been monitoring the Iraqi flight.

"There is some question about how many planes there were," Mr. Sims said. "The ship thought it saw two planes on radar, but information from an AWACS indicated there was only one."

WORLD BRIEFS

Israeli Jets Raid Area Near Sidon

SIDON, Lebanon (Reuters) — Israeli warplanes attacked Palestinian targets near this southern port city on Monday, killing one guerrilla and wounding two, the police said.

They said the warplanes fired four missiles during the raid, which was the 16th in Lebanon this year. At least 38 persons have been killed and 120 wounded since May 1 in three Israeli air raids on Palestinian targets east of Sidon.

In Beirut, gunmen killed Hassan Hamdan, a Lebanese Communist Party official, on Monday as he walked along a street in West Beirut. Mr. Hamdan was a lecturer at the Lebanese University, a prominent writer and a member of the Central Committee of the Communist Party, party sources said.

3 Charged in Paris Store Bombing

PARIS (UPI) — An investigating magistrate charged a pro-Iranian Tunisian and two Moroccan on Monday with complicity in a bombing in front of a department store in September in which seven persons were killed and 51 were wounded, court officials said.

Fouad Ali Saleh, arrested in Paris on March 22, is a suspected member of a pro-Iranian extremist network that the French police have broken up in the past two months. He was the first person charged for alleged involvement in a series of five bombings in which 11 persons were killed and more than 160 were hurt. Mr. Saleh was identified as one of two men in a car that stopped in front of the Tati discount store on Sept. 17.

The magistrate also charged two Moroccans, Abdel Hamid Badoui and Omar Agnane, in the Tati bombing. They were arrested by French counterintelligence agents on April 19 in Paris. Court officials said that during questioning, the two accused Mr. Saleh of having transported explosives shortly before the blast.

French Panel Calls for Tax Surcharge

PARIS (Reuters) — A government commission looking into France's ailing social security system called Monday for a special surcharge-on income tax to reduce what is expected to be a record deficit of 24 billion francs (\$4 billion) for 1987.

The six-person committee submitted its report to Prime Minister Jacques Chirac after four weeks of consultations with labor leaders, employers and other groups. The report said an "exceptional and temporary" tax, despite its shortcomings, was the only measure likely to have an immediate effect on the deficit.

The government is to study the proposals Wednesday in a special ministerial meeting on France's economic situation. Surveys show that a vast majority of the French oppose cuts in social security benefits.

The committee's suggestion recalls a similar measure taken in 1983 and 1984 by the previous Socialist administration. That move at the time was sharply attacked by the conservative parties now in power. Finance Minister Edouard Balladur has said he opposes any additional tax.

TRAVEL UPDATE

Striking French air controllers forced cancellations of several domestic flights Monday and delays of some international flights, airline officials said. The strikes have been affecting air traffic several mornings a week since April 1.

The refitted Queen Elizabeth 2 arrived in Southampton, England, almost three hours late Sunday after a Canary Islands cruise. Some passengers complained of flooded cabins, broken beds and no heating. A spokesman for Cunard, the owners, said the delay was caused by engine tests. The liner has suffered a string of problems since its £110 million (\$182 million) refit in Bremerhaven, West Germany.



Lieutenant General Richard Burpee, left, and Vice Admiral Henry C. Mustin at a Washington briefing on Monday.

GULF: Attack on U.S. Ship Kills 28

(Continued from Page 1)

who spoke on condition that he not be identified. "That's something the Iraqis often do when they hurt a tanker. But he apparently got his coordinates all fouled up."

The Pentagon said the missile that struck the ship was an Exocet, the type used by Argentina to sink the British destroyer Sheffield in the Falkland Islands war. It was fired by a French-built F-1 Mirage, the Pentagon said. The French-made Exocet hit the crew berthing area, where 25 crew members died, Pentagon sources said. At the time, about one-third of the crew was at battle stations, the sources added.

The Stark tracked the Iraqi plane on radar and queried it twice once the plane went into an attack pattern, the sources said.

Lieutenant General Richard Burpee, director of operations for the Joint Chiefs of Staff, said at a news conference, "The ship saw the aircraft coming and issued two warnings."

He said that he did not know what type of warning was issued but that he was sure it would have identified the warship as American.

Mr. Hamdoun met briefly Monday with State Department officials, but a department spokesman said the envoy "at this point had no explanation" for the attack.

Mr. Sims said at the Pentagon that an AWACS surveillance plane based in Saudi Arabia had been monitoring the Iraqi flight.

"There is some question about how many planes there were," Mr. Sims said. "The ship thought it saw two planes on radar, but information from an AWACS indicated there was only one."

The Pentagon said a 20-member team of military doctors had arrived in Bahrain from West Germany to treat victims of the attack. The Stark was heading Monday for port in Bahrain.

The Stark was conducting a routine patrol about 85 miles northeast of Bahrain.

The Pentagon said the vessel had a 10- to 15-foot hole in its port side, almost level with the main deck. The Stark is part of the seventh Middle East Task Force patrolling the Gulf of Oman and the Gulf, primarily to keep an eye on U.S.-flag tankers and cargo ships.

The task force's work has taken on increased importance in the past year as Iran and Iraq have stepped up attacks on commercial shipping. Britain, France and the Soviet Union also maintain warships in the Gulf.

The attack on the Stark was the first on a U.S. warship in the Iran-Iraq war, which has lasted more than six and a half years. Earlier Sunday, a Soviet oil tanker leased by Kuwait hit a mine off Kuwait, blowing a hole in the hull. There were no fatalities in that incident.

Kuwait is seeking to register about 11 of its 21-unit tanker fleet under the U.S. flag to protect its oil shipments. Such vessels are entitled to protection from the flag nation's warships. Kuwait has made a similar agreement with the Soviet Union.

Meanwhile, an Iranian patrol boat attacked a Norwegian tanker Monday. Lloyds of London said the tanker, the Colne Robin, was attacked about 50 miles off the Saudi Arabian coast and caught fire after being hit in the living quarters. There was no word on casualties. (UPI, AP, Reuters)

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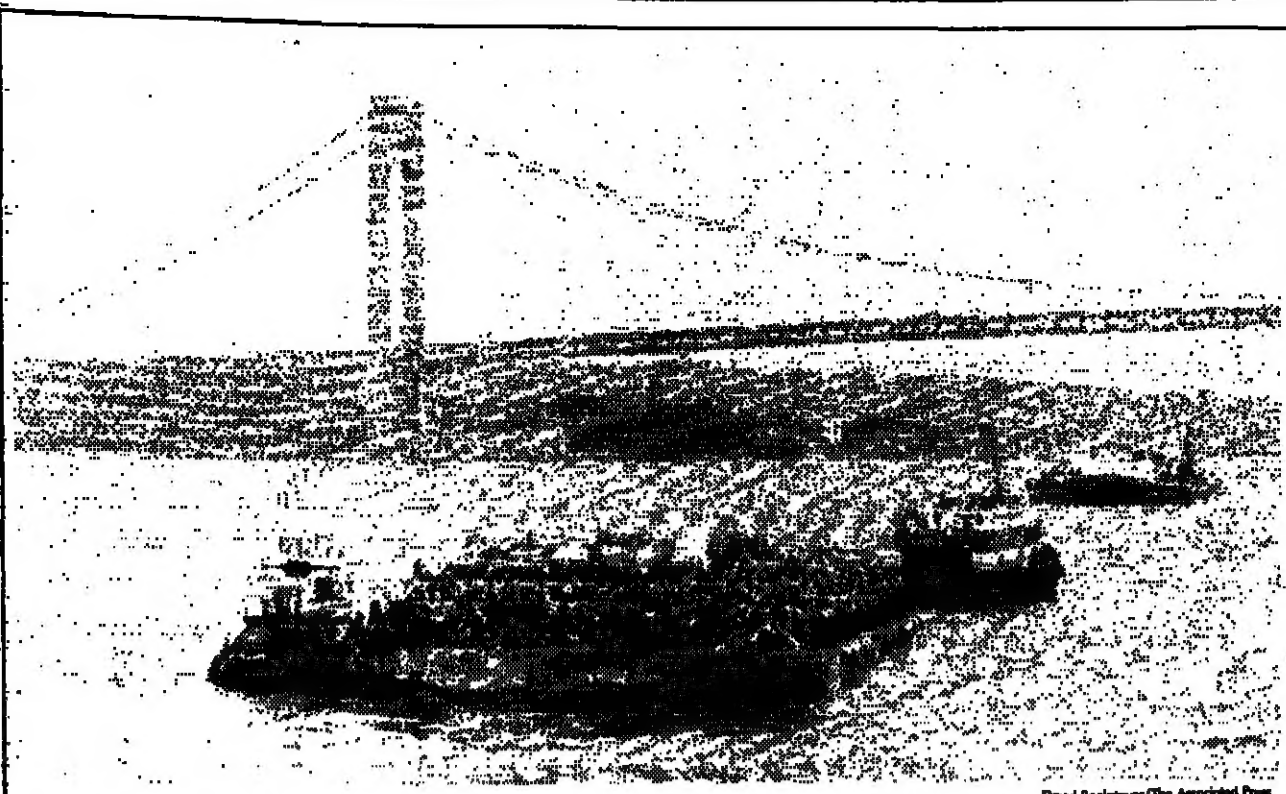
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No Place Like Home for Garbage Barge

The barge loaded with 3,100 tons of rotting garbage that left Islip, New York, eight weeks ago in search of a place to unload, is in New York Harbor, just south of the Verrazano Narrows Bridge. The barge was refused permission to dump the refuse in North Carolina, Alabama, Mississippi, Louisiana, Texas, Florida, Mexico, Belize and the Bahamas. Then Islip got permission to accept the trash and asked the barge, named Mobro, to return. It will remain in Gravesend Bay off Brooklyn until city health officials inspect the refuse.

Prosperity Alters Tijuana's Seamy Image

By Larry Rohter

New York Times Service

TIJUANA, Mexico — Two decades ago, this was a run-down border town with a reputation for vice. Today, it is a thriving metropolis of more than a million people, with a strong and growing industrial and commercial base.

That transformation has been one of the few bright spots for Mexico during an economic crisis now in its sixth year. The value of the U.S. dollar has soared by 5,000 percent against the peso since 1982, inflation is currently running at an all-time high of 120.8 percent, the foreign debt has climbed to more than \$100 billion and the country's gross domestic product contracted by 3.7 percent last year.

In Tijuana, on the other hand, the economy expanded by 7 percent in 1986. And as word of that relative prosperity has spread throughout Mexico, the city increasingly has become a beacon to people seeking opportunities not available elsewhere.

"Tijuana is booming," said a diplomat who specializes in economic affairs. "This has become an entrepreneurial and bureaucratic-free place, where people want to do business, and can."

To some extent, Tijuana's current boom stems from its geographical position. Isolated from Mexico's major urban centers, the city has been more than compensated



for that disadvantage by its proximity to the United States.

"If you are a businessman in the interior of Mexico, tied to a national market that has been reduced in volume and price, you are probably going to go out of business," said Rafael Balderas Zayas, president of the Tijuana Enterprise Center, a local business group.

"Most of us here," he said, "depend not on the domestic market, but basically on the growth of the Southern California market, which is the most active in the United States."

One of the principal engines of Tijuana's growth has been the proliferation of foreign-owned factories dedicated to what is known as the maquiladora, or in-bond assembly, industry.

Since the mid-1960s, such plants

have been allowed to bring components of products into Mexico duty-free and assemble them. The products are then exported to the United States, which imposes tariffs only on the value that has been added to the products once they are assembled.

There are more than 1,000 such maquiladora plants in Mexico, the majority of which have been set up in the last five years. One third of all the maquiladoras are either in Tijuana or such nearby towns as Tecate and Ensenada.

In an effort to accommodate the plants, a new Ciudad industrial park has sprung up near the Tijuana airport. The complex goes right up to the border with the United States, where a similar industrial park is being built at Otay Mesa, California, in the hope of attracting the American parents of companies established in Tijuana.

Companies operating in Tijuana include both American giants such as Honeywell Inc. and Mattel Inc. and their Japanese competitors, such as the Sanyo Electric Co. and the Matsushita Electric Industrial Co.

According to Raúl García Pérez, president of the Baja California Maquiladora Industry Association, the maquiladora plants employ more than 35,000 Tijuana residents and compete fiercely for workers.

Salaries at factories can start at as much as \$7 a day, compared with the official minimum wage of \$3.30

in most of Mexico. Some companies have begun offering free transportation, subsidized meals and day-care centers.

Yet even with those fringe benefits and an influx of internal migration estimated at 50,000 people a year, Tijuana is still looking for workers to fill its factories and stores. Advertisements in the newspapers and signs outside factories soliciting employees, rarely seen in other major Mexican cities, are abundant.

In developing its industrial base, Tijuana has not neglected the tourist trade that has supported it for most of its 98 years of existence. It still claims to be "the most visited city in the world," with 19 million tourists last year.

The Tijuana that was once synonymous with corruption and immorality has not disappeared entirely. Avenida Revolución, the heart of the old red-light district, still has its share of tattoo parlors, bars and pay-by-the-hour hotels catering to unaccompanied male customers, mostly American.

But tourists have also begun to cross over from San Diego for more innocent pastimes, such as shopping. Boutiques selling products bearing the names of Gucci, Eliseo, Fiorucci and Benetton now line the center-city streets, warring what Mr. Corona called "a higher-class and more family-oriented type of tourism."

Panel Warming Up for Poindexter, North

By David E. Rosenbaum

New York Times Service

WASHINGTON — After two weeks of sometimes gripping, sometimes tedious testimony from two of the central witnesses, the congressional hearings on the Iran-contra affair will change pace this week.

For at least the rest of this month, the committees are to hear from secondary figures who can provide evidence on specific aspects of the Reagan administration's dealings with the contras, as the rebels in Nicaragua are known, but not as much information on broad policy questions.

As was demonstrated by Robert W. Owen, a courier for Lieutenant Colonel Oliver L. North, however, they can provide valuable testimony. Mr. Owen was the first of these secondary witnesses on Thursday, and his story about cash payments to contra leaders led to the immediate resignation of a midlevel White House official, Jonathan S. Miller, who was said to have been involved in arranging the payments.

There will be three days of hearings this week, three the following week and perhaps a few days in early June, and their purpose will be twofold. First, according to leaders of the House of Representatives and Senate committees, this phase will show that the administration was much more deeply and directly involved in the civil war in Nicaragua than has been revealed.

Perhaps more important, the testimony will lay the groundwork for the appearances of Rear Admiral John M. Poindexter and Colonel North, the star witnesses who are to testify before the committees in late June and early July.

When the sessions resume Tuesday, Mr. Owen is to be back at the witness table. He testified Thursday afternoon that, as a courier for Colonel North, he had given advice on arms purchases and delivered intelligence maps and photographs and thousands of dollars in cash to the contras, activities that legislators say clearly violated the law.

He called himself a "foot soldier" in the administration's secret war against Nicaragua, and de-

scribed Colonel North as the "quintessential."

The next witness will be Adolfo Calero Portocarrero, a contra leader who has told investigators that he received hundreds of thousands of dollars directly and indirectly from Colonel North.

Mr. Calero has dealt directly with virtually everyone involved in the contra program, including President Ronald Reagan. And he has been more and more forthcoming in interviews and other public statements as the investigations into the sale of arms to Iran and the diversion of profits to the contras have proceeded.

The committees have not announced who is on the witness list after Mr. Calero. But those who almost certainly will testify in the next three weeks include Elliott Abrams, assistant secretary of state for inter-American affairs; Fawn Hall, Colonel North's former secretary; Richard B. Gadd and Robert C. Dutton, who helped manage the delivery of arms and supplies to the contras; and Carl R. Channell and Richard R. Miller, who have pleaded guilty to charges related to their raising money for the contras.

None of those witnesses are expected to be questioned at length the way Richard V. Secord and Robert C. McFarlane were over the last two weeks.

General Secord, a retired air force major general, organized both the arms sales to Iran and the private network that supplied the contras. Mr. McFarlane was Mr. Reagan's national security adviser from October 1983 to December 1985. They were called as the first witnesses to provide an overview of the affair.

Their testimony added a good deal to the skeleton of facts that had been developed by the Senate intelligence panel in its preliminary inquiry in December, and by the presidential review board headed by former Senator John G. Tower, which issued its report in February.

On balance, their testimony showed that Mr. Reagan, far from being out of touch as he was depicted by the Tower commission, paid close attention to and gave direction to the administration's activities in Iran and Nicaragua.

"If there's anything the president was paying attention to, it was Central America and the hostages," said Senator Warren B. Rudman, Republican of New Hampshire and the vice chairman of the Senate committee.

At week's end, the legislators cautioned against making quick judgments about the activities of the president or members of his staff.

"If this were a trial," said Representative James A. Courter, Republican of New Jersey, "the judge would instruct the jury not to draw conclusions until all the testimony had been heard. That's what we have to do here."

Senator Daniel K. Inouye, the Hawaii Democrat who heads the Senate investigative committee, made the same point. "It's only two weeks," he said. "It's far too early to draw conclusions."

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Simon Enters U.S. Campaign

CARBONDALE, Illinois (UPI)

— Senator Paul Simon, Democrat of Illinois, announced his candidacy for his party's presidential nomination Monday, saying he sought to lead "an America at work in a world at peace."

Mr. Simon, 58, was one of only two Democrats in the nation to capture a Senate seat held by a Republican in the 1984 Republican landslide, when he defeated Charles H. Percy. On Monday he stressed his commitment to "the Democratic tradition of caring and dreaming."

He was to share the podium Monday night at a fund-raising

dinner with Senator Dale Bumpers of Arkansas, whose withdrawal from the 1988 Democratic race triggered Mr. Simon's announcement six weeks ago that he would seek the party's nomination for president. A recent New York Times-CBS News poll had him third among Democratic contenders in one ranking and fifth in another.

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Ralph Taylor, 105, Veteran of San Juan Hill, Dies

The Associated Press

POMFANO BEACH, Florida — Ralph Waldo Taylor, who was said to be the last survivor of the American soldiers who charged up San Juan Hill in the Spanish-American War, died Friday at 105.

Volunteered at 16

By Wolfgang Saxon

New York Times Service

Mr. Taylor, the former president of two Long Island banks, retired to Florida at 80. He remained alert and in robust health into his final years, although cataracts interfered with his golf and card games.

He was born in Brooklyn and reared in Manhattan. He was the son of an engineer distantly related to President Zachary Taylor. When war broke out with Spain in 1898, he talked his father into letting him join the 71st Volunteer Infantry Regiment of the New York National Guard.

He was 16 when his K Company shipped out to follow Theodore Roosevelt's Rough Riders up San Juan Hill against Spanish positions in Cuba. Of 27,000 men who took part in the campaign, Mr. Taylor was the last survivor.

He was also the last surviving combat soldier among the 392,000 veterans of the Spanish-American War. These also included men who fought in Puerto Rico in 1898 as well as those who helped rescue the U.S. legation in Peking in the Boxer

Rebellion of 1900 or who fought Philippine rebels until 1902.

Robert Hawk, a civilian historian with the Florida National Guard, said Sunday night that no more than four survivors of the various campaigns were still alive. After the war, Mr. Taylor resumed his education and embarked on a successful career in banking.

Mr. Taylor was married three times, each time for at least a quarter of a century.

His Spanish-American War duty lasted six months, during which K Company battled faulty logistics, antiquated equipment and disease as well as enemy soldiers.

In an interview before his 104th birthday, Mr. Taylor recalled winter uniforms in Florida and training with single-shot Springfield rifles of Civil War vintage.

Mr. Hawk said combat claimed the life of only one man of Company K, Disease, the deadliest enemy of the troops, killed about 20 others. Mr. Taylor, too, came down with malaria and dysentery, but fortified with rum, he managed to stand muster after the battle and board the boat back to New York in time for a banquet organized by mothers of 71st Regiment.

Wilbur J. Cohen, 74, Prominent New Dealer
WASHINGTON (AP) — Wilbur J. Cohen, 74, a New Deal Democrat and one of the creators of the

Social Security system, died Sunday of an undiagnosed illness in Seoul where he was attending a conference on welfare for the elderly.

He was a prominent New Deal Democrat who worked for the Committee on Economic Security that drafted the Social Security program 52 years ago. He was secretary of health, education and welfare from 1968 to 1969 in the waning days of the Johnson administration. He had served previously as undersecretary and assistant secretary.

Other deaths:

Fanny Batcher, 99, the literary editor of the Chicago Tribune for 40 years. Thursday in Chicago.

Dr. Sidney Cohen, 76, a psychiatrist known for his research on the effects of marijuana, cocaine, LSD and other drugs. May 8 in Los Angeles.

Sir Michael Wood, 68, founder

of the African Medicine and Research Foundation and of Kenya's Flying Doctors, Saturday in Nairobi.

George I. Petrov, 75, a leading Soviet scientist who helped to found Soviet space research and develop the technology that led to Russia's first manned space flights, Wednesday in Moscow.

Thomas E. Cunningham, 72, who worked for 45 years for United Press International and The Associated Press news services as a sales executive, Saturday after a long illness in Norwalk, Connecticut.

Bishop Zoltan Katky, 68, head of Hungary's Lutheran church and president of the Lutheran World Federation, in Budapest on Sunday after a long illness.

Gordon B. Sherman, 59, the creator of the Midas chain of shops for replacement auto mufflers, of cancer May 8 in Mill Valley, California.

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COURT: Rights Law Broadened

(Continued from Page 1)

Rights Acts of 1964 and 1866. A federal judge threw out the suit, but the 3d U.S. Circuit Court of Appeals reinstated the case last year.

In the second case, members of the Shaare Tefila Congregation in Silver Spring invoked the civil rights laws to sue vandals who spray-painted slogans and symbols on their synagogue in November 1982.

The congregation sued eight men in 1984. The 4th U.S. Circuit Court of Appeals threw out the case last year, saying Jews did not constitute a separate race.

Five of the men accused of the vandalism were prosecuted and received sentences ranging from three years in prison to probation.

Monday's ruling appeared to offer civil rights protection to groups other than Arabs and Jews. Mr. White noted, for example, that 19th century civil rights laws referred to Scandinavians, Chinese and Hispanics as members of distinct races.

In other decisions Monday, the court made the following rulings:

• It said accused murderers were always entitled to new sentencing trials if a potential juror was wrongly disqualified for voicing general qualms about capital punishment. By a 5-4 vote, the justices threw out the death sentence of David Randolph Gray, convicted of murder in Mississippi.

• It left intact a lawsuit involving three New York City buildings believed to have been bought with money that Ferdinand I. Marcos and his wife, Imelda, took illegally from the Philippine government. The court, without comment, refused to hear arguments aimed at freeing the buildings from a lawsuit filed against the Marcos family by the government of Corazon C. Aquino, who succeeded Mr. Marcos as president.

• It let stand California court decisions limiting a 1986 ruling that police did not need court warrants to search for airplanes for marijuana growing in fenced-in residential yards. The justices, over two dissenting votes, turned down an appeal by California prosecutors aimed at striking down the state court decisions.

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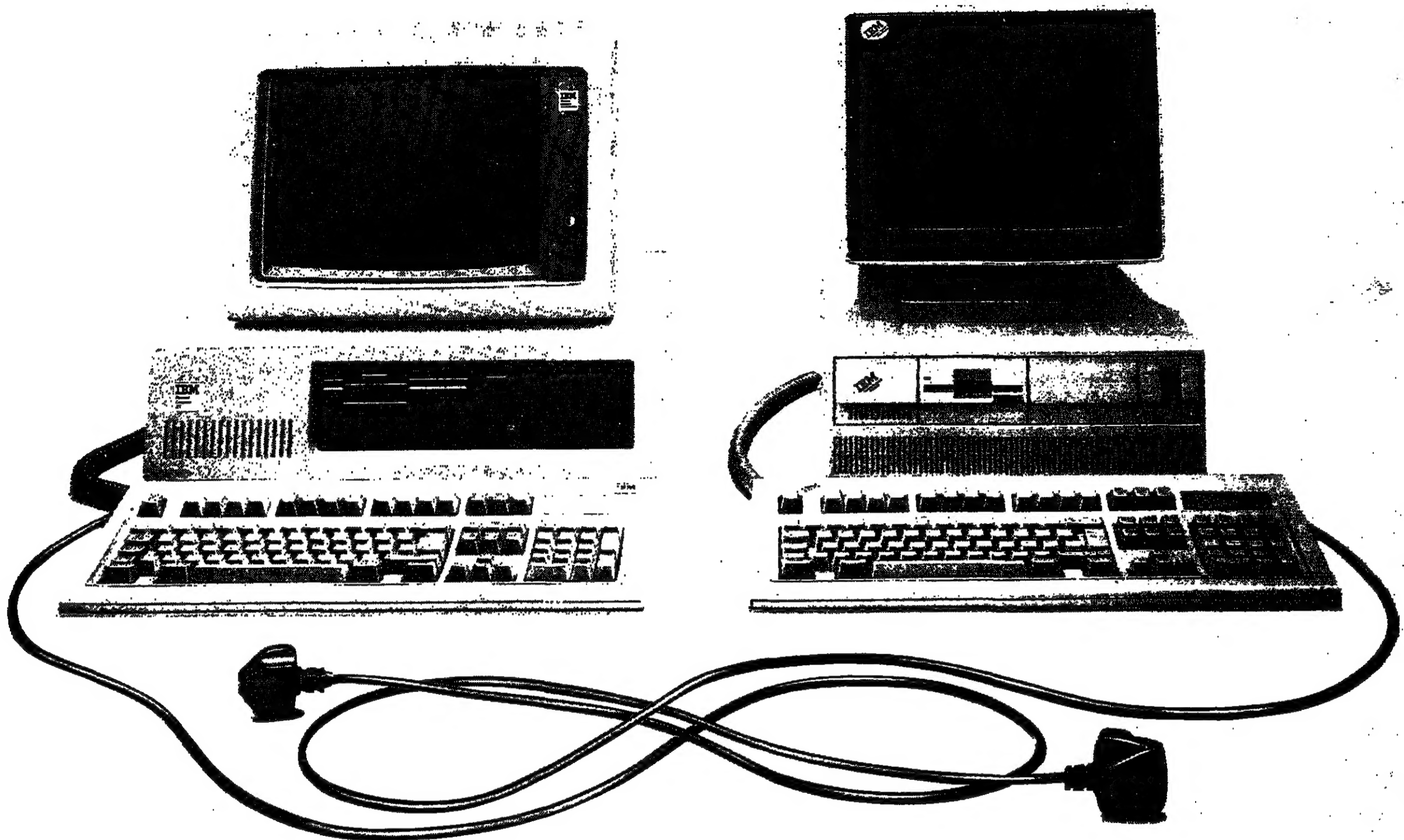
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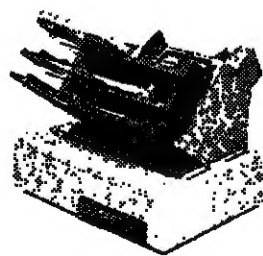
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Chirac Seeks End to Cabinet Rift on Aliens

By Julian Nundy
International Herald Tribune

PARIS — Prime Minister Jacques Chirac appealed Monday for an end to a dispute among his Gaullist ministers over how to counter the anti-immigration policies of Jean-Marie Le Pen, the leader of the far-right National Front.

Mr. Chirac, speaking in a radio interview, was intervening in a controversy that arose last week between members of his Rally for the Republic over how to handle the challenge from Mr. Le Pen's party.

It arose when Michel Noir, the Gaullist minister for foreign trade, warned his colleagues against moving toward Mr. Le Pen's ideology to capture votes.

Mr. Noir, 43, compared the atmosphere in France to that of the 1930s in Europe, which saw the rise of Fascism. He brought the debate into the open last week with a front-page article in the newspaper *Le Monde*.



Jean-Marie Le Pen

humanity for his role in Lyon during the World War II German occupation.

The trial opened May 11 and Mr. Noir, whose father was deported to Mathausen concentration camp during the war, was in the gallery.

In addition, supporters of Mr. Le Pen staged demonstrations to mark the saint's day of Joan of Arc on May 10, protesting the Barbie trial and shouting anti-immigration slogans.

Mr. Le Pen, who is the only declared candidate for the presidential elections, also created a parallel controversy by calling in his television interview for a quarantine of people suffering from acquired immune deficiency syndrome.

Sufferers, he said, should be confined to a "sanatorium" where they would not be in contact with the population. SIDA is the French acronym for AIDS.

The debate continued against the backdrop of the trial of Klaus Barbie on charges of crimes against

His remarks led to a raucous scene in the National Assembly when Health Minister Michèle Barzach called the National Front "counter-fetters of fear."

One of the leaders of the center-right Union for French Democracy, the Gaullists' government coalition partner, Culture Minister Francis Léotard, also condemned statements by the National Front leader.

One newsmagazine has dubbed Mr. Le Pen "the man who will make the left win."

Generally, Mr. Le Pen is given around 10 percent of public support in opinion polls. But provincial politicians, criticizing apparent complacency in Paris, say they believe many more people agree with his positions.

On May 11, as Mr. Le Pen spoke out against immigration, Mr. Pasqua said that, if necessary, he would charter a train to expel illegal immigrants from France.

Mr. Pasqua's words, coming after the government chartered a DC-8 last year to fly 101 illegal Malian immigrants home, struck a sensitive chord.

One charge against Barbie is that he organized the departure of the last train to leave Lyon on Aug. 11, 1944, with prisoners for concentration camps in Germany, before the city's liberation.

The French Jewish Students' Union called Mr. Pasqua's statement "intolerable" and said that "the man who is now being judged sent Jews to their death in sealed trains."

Mr. Noir's effort to condemn the use of immigration as a vote-catching issue was widely greeted in the press and by members of other political parties as an act of courage. But not by his own party.

Peres Sees Soviet Envoy To Discuss Role in Talks

WASHINGTON — Foreign Minister Shimon Peres of Israel has met with Ambassador Yuri V. Dubinin of the Soviet Union to discuss possible Krenlin participation in a Middle East peace conference, an Israeli official said Monday.

The meeting late Sunday night was held at the request of the Soviet envoy shortly after Mr. Peres met for 90 minutes with Secretary of State George P. Shultz.

Mr. Shultz and Mr. Peres both stressed in speeches to pro-Israel lobbyists Sunday that the Soviet Union would not be allowed a role in an international Middle East peace conference unless it renewed relations with Israel. They were broken in 1967.

The Peres-Dubinin meeting took place at the Washington apartment of a U.S. Jewish leader, according to the Israeli official. He spoke on condition that he not be identified.

"Dubinin told Peres that not having relations with Israel was not normal," the official said. "Peres' impression was that the Soviets haven't made up their minds yet about the rate at which they want to proceed with Israel."

■ **Endorsement by Shultz**
John M. Goshko of *The Washington Post* reported from Washington: Mr. Shultz has given a strong official U.S. endorsement to the idea of exploring the possibility of an international peace conference in the Middle East. The proposal has caused bitter division in Israel and threatens to bring down the coalition government.

In a speech Sunday in Washington to the American Israel Public Affairs Committee, a pro-Israel lobbying group, Mr. Shultz repeated that the United States was neutral in the dispute between Prime Minister Yitzhak Shamir and Mr. Peres.

But he left no doubt that the Reagan administration sided with Mr. Peres on his decision to pursue the possibility of Israeli negotiations with Jordan in an international conference.

Mr. Shultz said several times that the United States "believes it is important to explore all possible approaches, including an international conference."

He added that, while the matter should be approached "cautiously, carefully, even skeptically, important developments have led us to look carefully at the idea."

Mr. Shultz met with Mr. Peres in New York on Saturday and again in Washington on Sunday.

Mr. Shultz's remarks appeared to represent a tilt toward the position of Mr. Peres' Labor Party and apparently were intended to revive the Middle East peace effort.

It was not clear what effect this would have on Mr. Shamir. He already has signaled growing annoyance at what he regards as U.S. interference in Israel's domestic politics on behalf of Mr. Peres.

The idea of a conference has been explored during months of protracted negotiations, with the United States acting as an intermediary between Israel and Jordan.

In recent weeks, both the administration and Mr. Peres have become convinced that King Hussein of Jordan is willing to accept a conference framework that meets the definitions set forth by Mr. Shultz and Mr. Peres.

The conference would involve Israel, a joint Jordanian-Palestinian delegation, other Arab governments willing to participate and the five permanent members of the United Nations Security Council, including the United States and the Soviet Union.

It would be a device for convening direct talks between Israel and the Jordanian-Palestinian delegation on the future of the Israeli-occupied territories. The Security Council members would not have any real power to intervene or veto decisions made in the talks.

Mr. Peres' efforts last week to persuade the inner cabinet of Israel's National Unity government to approve exploration of the plan was blocked by the rightist Likud bloc, which Mr. Shamir leads. The expectation now is that Mr. Peres will move in the Knesset, Israel's parliament, to bring down the 32-month-old coalition government and precipitate new elections, to be fought over the peace conference issue. But so far, Mr. Peres has not had the votes to force new elections.

■ **Alliance Targets Lords**
The alliance has promised sweeping constitutional changes, including the abolition of hereditary seating in the House of Lords. Reuters reported from London.

Mr. Steel and Mr. Owen called their Liberal-Social Democratic manifesto the most radical reform program in British history.

But the campaign platform aroused criticism from former Defense Minister Michael Heseltine, who argued that the alliance plan to cancel the U.S. Trident nuclear weapon system would leave Britain poorly defended.

With the Conservatives pledged to buy Trident and the Labor Party calling for an end to all nuclear weapons and bases in Britain, defense is likely to be a major issue in the campaign.

■ **Shamir Defends University Fees**
TEL AVIV — Prime Minister Yitzhak Shamir of Israel defended new university fees Monday, rejecting opposition protests that they discriminated against Arabs.

Hundreds of Jews and Arabs at government universities demonstrated against a cabinet decision Sunday to charge former students lower tuition than other students. Protesters said this was unfair to Arabs, who do not serve in the army.

"There is nothing new about steps to aid army veterans," Mr. Shamir said. "I think this is taking unfair political advantage of a decision aimed at helping army veterans who deserve help."

Arabs, numbering about 3,500 among 60,000 students at 12 government universities, boycotted classes in protest.

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Leon Sullivan

Pretoria Refuses Visa to Writer of Businesses' Code

UNITED PRESS INTERNATIONAL

PHILADELPHIA — The Reverend Leon Sullivan, author of an equal rights code for corporate conduct in South Africa, said that the South African government has refused him permission to visit for an inspection of the apartheid situation.

The visa denial came two weeks before a deadline Mr. Sullivan had set for a decision on whether to call for an economic embargo of South Africa.

Mr. Sullivan, whose code has the support of 170 U.S. companies now doing business in South Africa, said he apparently was barred because of his success in getting companies to break apartheid laws in such ways as buying houses for black workers in all-white areas.

He said Sunday that his staff at the Zion Baptist Church in Philadelphia, where he is pastor, was notified in a telephone call from the South African Embassy on Friday that his visa request was being denied.

"They say I'm making companies challenge the government," Mr. Sullivan said. "Well, I am. In the interest of social justice, I'm asking them to break the apartheid laws."

Other defectors included Somaroo Pachai, the national chair-

Indian Legislators Quit Party in South Africa

By William Claiborne
Washington Post Service

CAPE TOWN — The segregated Indian chamber of South Africa's tricameral Parliament was thrown into disarray Monday as eight senior members of the National People's Party walked out of the caucus and said they would support a motion of no-confidence in the administration of the party leader, Amichand Rajbansi.

Although not all of the defectors said they would join the opposition Solidarity Party, the resignations meant that Solidarity stands to take over as the majority party in the Indian chamber, called the House of Delegates.

Under the South African Constitution, President Pieter W. Botha will have to dissolve the Indian chamber and call an election, or reconstitute the Indians' Council of Ministers under Solidarity's leader, J.N. Reddy. The Council of Ministers handles the Indians' affairs and does not deal with matters that cross color lines.

With the defections, Solidarity is certain to emerge with a majority of one in the 45-seat chamber, resulting in the first shift of power in the House of Delegates since it was created in 1984.

A separate chamber of Parliament, called the House of Representatives, exists for people of mixed race, known as "coloreds."

But like the Indian chamber it is powerless to adopt legislation that extends beyond the interest of its own racial group. Disputes among the three houses are referred to the white-controlled President's Council, the decisions of which are final.

Among the People's Party members resigning Monday was Baldeo Dookie, minister of local government, housing and agriculture, who handed in his resignation from the Council of Ministers to Mr. Botha, blaming what he called Mr. Rajbansi's "dictatorial and undemocratic leadership" for his move.

Mr. Dookie said any party whose senior officials resigned must forfeit its right to exist.

Other defectors included Somaroo Pachai, the national chair-

man of the party, and Muthusami Thaver, the party chairman in Natal Province, which is home to most of South Africa's 900,000 people of Indian descent.

"Mr. Rajbansi runs the party entirely on his own and he is the sole judge, jury and executioner," Mr. Pachai said. "There is no room for consensus and discussion on party affairs."

The defectors left the party to "pursue a new strategy," they said in a joint statement, "and to remedy the many shortcomings which are the principal cause for the decision that we have taken after much soul-searching."

At a news conference, they said their role in Parliament "should not be seen as being parochial, but as one in which we are actively engaged in seeking solutions to national issues which are pressing and urgent."

The defectors did not spell out how they would involve themselves in national affairs, a role that is denied them under the constitution.

Mr. Reddy said he was confident that a no-confidence motion would succeed this week, but he discounted the possibility of an Indian election for the House of Delegates.

"These men all feel they have nothing to offer their voters now," Mr. Reddy said, "and they want to have a chance to do something under a new administration before they go to the polls."

■ **Rightists Take Seats**
Extreme rightist politicians, seeking to reinforce racial segregation, took the seats Monday that they won in the whites-only election on May 6. Reuters reported from Cape Town.

The 23 legislators, whose Conservative Party won enough seats in the election to become the official opposition to Mr. Botha's National Party, were sworn in as members of Parliament in Cape Town. They view Mr. Botha's policies on non-whites as being too soft.

The new Parliament is to convene Tuesday with a speech from Mr. Botha. The state-run radio said debate was expected to concentrate on the need for further reform of race laws and the issue of political rights for the voteless black majority.

■ **Police in South Korea Halt Memorial Protests**
KWANGJU, South Korea — Thousands of riot policemen put down repeated attempts by students, workers and religious activists to hold street protests Monday, the anniversary of the army's crushing of the 1980 civilian uprising here.

Witnesses said that police twice fired tear-gas grenades at point-blank range into crowds of unarmed protesters. By early evening, 226 people had been detained, according to the Yonhap News Agency.

A cemetery memorial rite, attended by about 500 relatives and friends of the victims of the 1980 uprising, was permitted. But witnesses reported that a bus carrying elderly women and some of those injured in 1980 was hit with tear-gas grenades and the windows smashed. Five persons were hurt by glass splinters.

In the city itself, about 4,500 riot policemen and hundreds of plainclothesmen used tear gas to break up groups of protesters and bystanders.

Many of Kwangju's residents blame President Chun Doo Hwan, who as an army lieutenant general effectively ruled the country in 1980, for the ruthlessness with which the nine-day revolt against military rule was put down. The government said that 193 people were killed, but other reports put the death toll at at least 1,000.

During Monday's cemetery rites, plainclothesmen who had infiltrated the crowd of mourners seized several effigies of Mr. Chun, which had been prepared for ceremonial burning, and took them away.

In response, about a dozen women related to the victims of 1980 set fire to an official car parked at the cemetery's entrance.

The group later made another effigy of Mr. Chun and, after the rites, five of the women beat it with bamboo sticks, stabbed it repeatedly with kitchen knives and set it afire.

The cemetery lies in lush farmland about six miles (10 kilometers) outside the South Korea's fifth-largest city. Police blocked the roads in an attempt to limit attendance to relatives of the victims. It was while some of these were traveling back to Kwangju, according to witnesses, that police stopped the bus, hurled tear gas inside and smashed windows.

At Chonnam University, where the 1980 revolt began, thousands of students hurled rocks at a huge force of riot police, who responded with a volley of tear gas.

The protests were not confined to Kwangju. Police sources said a total of 22,000 students from 62 universities across the nation staged demonstrations.

In Seoul, students from more than 15 universities tried to leave

■ **Vietnam Official in Moscow**
MOSCOW — Nguyen Van Linh, the head of the Vietnamese Communist Party, arrived in Moscow on Monday on an official visit. Tass reported. Mr. Linh became party general secretary in December, replacing Truong Chinh, who retired.

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19-5-87

2 Doctors Sentenced For Role in War Crimes

FRANKFURT — Two doctors were sentenced Monday to four years in prison for helping to kill mentally ill people in a Nazi euthanasia program.

Aquilin Ulrich and Heinrich Bunke, both 72, were found guilty by the Frankfurt regional court after a 16-month trial of taking part in a Nazi program called T-4, in which thousands of mentally ill people were murdered.

The prosecution had sought six-year prison terms.

Explaining the sentences, Judge Johannes Dierkes said the two men had been unable to withdraw from the program once they recognized what it was. It was difficult to assess their guilt, he said, because they were people who would not normally have become criminals.

Judge Dierkes cautioned that anyone who has not experienced the Nazi regime should be wary of underestimating influences such as the pressure to obey orders.

Ulrich and Bunke were acquitted in 1967 on the ground that they believed they were acting in accordance with the law. The acquittal was overturned in 1970; a retrial was delayed until 1986 for health reasons.

The T-4 program started in 1940

after Hitler denounced the mentally ill as "useless eaters." More than 70,000 people died in gas chambers under the program until it was stopped in 1941 because of public opposition.

■ **Ruling in Barbie Case**
Judge André Cerdini, president of the court trying Klaus Barbie on charges of crimes against humanity, rejected Monday a third request from lawyers to force the defendant to return to the courtroom, The Associated Press reported from Lyon.

The ruling was made shortly after an attorney for some of Barbie's alleged victims told the court that many civilian parties to the trial and their lawyers had received anonymous telephone calls and abusive letters over the weekend.

Pierre Colendy said he had received a call from a man who accused the lawyer of "selling out to international Jewry."

Many of the other civil lawyers received similar calls and letters, Mr. Colendy said. One of them had a swastika painted on the door of his office.

Mr. Colendy said, "I think it is tragic that in 1987 there are still



Heinrich Bunke leaving court Monday after his conviction.

people with a Nazi ideology, who still deny the existence of extermination camps.

Barbie, 73, was head of the Gestapo in Lyon from 1942 to 1944 and is charged with arresting, torturing and deporting hundreds of Jews and French Resistance fighters to Nazi death camps.

He announced Wednesday that he would no longer attend court sessions.

Parliament Is Dissolved as U.K. Campaign Begins

LONDON — Queen Elizabeth II dissolved Parliament on Monday and a 24-day election campaign officially began with Prime Minister Margaret Thatcher's Conservative Party expected to win its third straight election.

The queen signed the proclamation dissolving Parliament after meeting with the Privy Council, the monarch's advisers. The ritual was completed when the House of Lords affixed its seal to the proclamation.

The Social Democratic-Liberal Party alliance began the campaign by publishing a manifesto to unite a class-ridden society if it wins a majority in Parliament on June 11.

The alliance, which was formed five years ago, is challenging the two major parties.

Its manifesto was closely followed by Labor Party pledges for a new deal for British women.

The Social Democratic leader, David Owen, said: "We aim to transform our society, and the class divisions and bring a degree of comfort to those who are unable to live a full and satisfying life."

With the Liberal leader, David Steel, Mr. Owen addressed a news conference seated against a backdrop of the alliance's black and yellow colors and emblazoned with its election slogan, "Britain United — The Time Has Come."



David Owen, left, and David Steel in London on Monday.

Yellow and black alliance campaign buses snaked traffic outside the National Liberal Club overlooking the Thames River. The leaders unveiled a platform promising electoral reform, open govern-

ment and the preservation of a British nuclear deterrent.

Mr. Thatcher and Neil Kinnock, leader of the Labor Party, planned to present their party platforms Tuesday.

■ **FUND: Iran-Contra Investigators Fear Loss of Focus on Overriding Issues**
(Continued from Page 1)

trust in attempting to bypass the intelligence oversight process by using the secret fund, built with nonappropriated money, and how that effort undermined the checks and balances in the constitutional system of government.

"It gives me a real headache," said Representative George E. Brown Jr., Democrat of California, referring to disclosures of the referring to disclosures of the referring to donations by foreign governments and wealthy Americans, as well as profits from arms sales to Iran.

"It's a big unaccountable pocket of secret money," Mr. Brown said, "to be used to finance covert adventures beyond the control of Congress."

Senator William S. Cohen, Republican of Maine, also a member of the investigating panel, said he was not sure that Congress could pass a law saying the president could not solicit donations for the contra from third countries.

But he added: "When the president disagrees with the Senate and

House, he steps into this dark world of arms dealers and private agents. It undermines the delicate balance between the branches of government."

In recent days, White House officials have maintained that the so-called Boland Amendment that barred U.S. funding to the contra from October 1984 to October 1985 did not limit the administration from soliciting funds from third countries.

In his testimony, General Secord raised another legal issue with his contention that profits from the Iran arms sales, after the U.S. government was repaid for the missiles, was private money and could be used for any purpose.

Herald Tribune

Published With The New York Times and The Washington Post

Forward With Aquino

Given a history of egregious violence and fraud, all elections in the Philippines are at least open to suspicion, so you cannot dismiss outright the charges of cheating that there last week that manipulation and theft took place. But those making the claim have not been able to present anything even remotely approaching the evidence available in the last Marcos election, and there is widespread testimony that the overwhelming legislative victory of President Corason Aquino's forces was legitimate. In fact, politically speaking, it would probably have been better ultimately for Mrs. Aquino and her allies if some of those who were defeated had been elected, since outside of office they could prove reckless and dangerous to the emerging democratic order in the country.

The Aquino strategy since the Marcos regime was deposed last year has been to re-create the country's democratic institutions and then take up social renewal. With a new constitution and presidential and congressional elections, a political structure is in place, although the army lingers not far from the center of politics and has yet to go over entirely to what should be its consuming mission: defending democracy against armed attack. The country has been edging up to the great task of agrarian reform — a

program for distributing and developing the resources of the countryside, where most of the 50 million-plus Filipinos live. This will be at the top of the agenda of the new congress.

Mrs. Aquino is of the landed class, and her differences with Ferdinand Marcos covered not only the issue of democracy but also the tension between old money (hers) and new money (his). If she and her privileged supporters — she has a middle-class constituency, too — start to show the enlightened self-interest essential to pre-empting the armed Communist left, it will be a breakthrough. Cross imbalances of land ownership exist, poverty among small farmers is pervasive and landlessness is rising. The imperatives of social equity pull the country one way, the imperatives of productivity the other.

The approach Mrs. Aquino has begun is gradualist, underfinanced and respectful of landlord prerogatives as well as peasant urgencies. To say at this early point that she cannot carry through is to ignore her record of startling achievements and to demean the advantages that the democratic system makes available to the treatment of social ills. Among those advantages are the cooperation of the governed and the help of committed foreign friends.

— THE WASHINGTON POST.

Don't Rethink Treaties

The Reagan administration flirts with a reinterpretation of the anti-ballistic missile treaty. The State Department has now issued a detailed legal argument favoring a controversial, more permissive reading. The way Reagan officials justify the reinterpretation may come back to haunt them — when and if they complete a treaty of their own on medium-range missiles.

Asked recently what will concern the Senate if a treaty eliminating medium-range missiles from Europe comes before it, Senator Sam Nunn listed the expected complications over verification and short-range missiles. Then he added another. The Senate's treaty-making powers are jeopardized by the reinterpretation flap, the Georgia Democrat said. The ABM treaty as presented to the Senate in 1972 clearly has been in space, which the administration now wants to conduct. The State Department now tells Mr.

Nunn and his colleagues that they must look beyond Nixon administration testimony to Congress in 1972 and study the negotiating record, which was not presented to the Senate in the first place. That record, officials contend, supports a treaty reinterpretation that would allow space-based testing.

If what the Senate is told about a treaty is not what determines the treaty's meaning, Senator Nunn responds, the Senate will have to look at an entire negotiating record before it can agree to any treaty. And if it finds anything important that is not in the treaty, that item will have to be sent back to Moscow for its explicit agreement.

A hundred senators wading through barrels of notes, formal and otherwise, and sending details back to Moscow for confirmation? The glacial progress of arms talks in Geneva looks greased by comparison.

— THE NEW YORK TIMES.

Sensible About Hostages

Something interesting has happened — or has not happened — since the Iran-contra affair burst into the headlines six months ago. The plight of remaining American and European hostages in Lebanon no longer dominates the front page and the television screen. Terry White, the envoy of the archbishop of Canterbury, visited Beirut on Jan. 11; news items now calibrate his ordeal in two paragraphs. That is also the case with eight Americans still held, even recent threats by their captors failed to galvanize media attention. A videotape of hostages, Alan Stein, released last week to a Beirut newspaper, was treated correctly in low-key news accounts as reassuring evidence that he was alive, not as a call to action.

Hostage families express fear that diminishing attention will prolong captivity, but the reverse is more likely to be true. When hostages lose attention-grabbing value, there is less incentive to abduct them. When captors cease believing that media can be manipulated to bring pressure for concessions, captives cease being controlling assets.

It has taken time for these lessons to sink in. On Nov. 4, 1979, Americans and their president were taken unaware when the mob burst into the U.S. Embassy in Tehran. Patriotism and sympathy for the hostages welled up during 14 months. Every night,

Walter Cronkite of CBS counted the days of captivity. Ronald Reagan won the presidency in part because of this yearlong humiliation, setting himself up for criticism later when he was unable to free other Americans seized in Beirut in different circumstances.

The White House could not deliver, even if it wished to, on the demand most frequently made by Lebanese captors: release of a group of terrorists jailed in Kuwait. Most important, Mr. Reagan tried and failed to appease Iran by giving arms as ransom. That, at least, has shown the folly of carrying terrorist favor. One benefit of Mr. Reagan's failure is that even Tehran's clerical zealots realize that there can be no more of that. Out of necessity, Washington has returned to its earlier policy: no concessions, no deals, but a willingness to talk.

Hostage families no longer clamor for public attention. Finally and mercifully, the Beirut hostages are off the front page. Attitudes might change in the face of some new hijacking, but Americans are no longer quick to sentimentalize compatriots who have ignored warnings and needlessly put themselves at risk in Lebanon. To that degree, Americans are no longer held hostage by their eagerness to do something, when so little can really be done.

— THE NEW YORK TIMES.

Whose Farmers First?

Last Wednesday leading economics ministers said in Paris that world agricultural supports were too high and agreed that governments should use the next round of trade talks to bring them down. On Thursday the Senate Agriculture Committee, in approving an amendment to the pending trade bill, provided an instant example of how hard that laudable goal will be to achieve.

The amendment would sharply increase U.S. grain and other agricultural export subsidies in 1990, through a device called the marketing loan, if "significant progress" were not made toward a world agricultural accord. And of course what the members of the Agriculture Committee would see as an acceptable accord is one in which the United States increased its market share. Our pockets are deeper than yours, the amendment sweetly threatens rival producers. Cede us some sales or we'll blow you away.

The ministers are right about the problem. Stimulated by generous support levels, farmers are everywhere producing more than the world can buy. Governments, having helped produce the surplus, must help dispose of it. They engage in cutthroat pricing. No great increase in purchasing power is in sight to solve the problem on the demand side. To stop the world and get off, governments will have to put some farmers out of business. The political question is: Whose?

In agriculture there is already a trade war, one in which every country believes

that it is playing defense, not offense. The view is that the other fellow started it, which means that to achieve an equitable market he must reduce his subsidies first and most. In the United States that view is fed by the fact that as recently as the 1970s U.S. farmers dominated and more or less owned the world market. They want it back and do not want to be told that to some extent the fundamentals (exchange rates, levels of self-sufficiency abroad) have changed.

Hence the committee's amendment. It is fine as a threat, but if carried out it would be a disaster. The system that it would magnify is already absurd. The government sets a market price at which it will buy commodities; then it uses funds to give farmers more than that market price, then it uses additional funds to subsidize foreign buyers — including now the Soviet Union — so that they can buy for less than that price. Soviet bakers can now buy U.S. grain for less than U.S. bakers must pay. When it is not helping enemies, the system is hurting friends. The rice program has squeezed Thailand, the sugar program has squeezed the Philippines.

The farm bill now in place would reduce most support levels slowly. The direction is right and, given the enormous social and financial adjustment that must be made, so most likely is the speed. A blustery departure from this steady course would only stretch out the serious problem it purports to solve.

— THE WASHINGTON POST.

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Editor for Asia: Michael Richardson, 5 Convent Road, Singapore 0511. Tel. 472-7668. Telex RS9933.
Managing Dir. Asia: Malcolm Green, 30 Gloucester Road, Hong Kong. Tel. 5-601616. Telex 61170.
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OPINION

Pacific Basin: A Continuing Success Story

By Frank B. Gibney
This is the first of two articles.

SANTA BARBARA, California — Look beyond current U.S.-Japanese trade tensions to see the extraordinary rise of Pacific trade and investment in the last two decades, perhaps the greatest economic success story of this century.

Starting with Japan's "economic miracle" of the '60s, the extraordinary GNP growth figures of South Korea, Taiwan and the ASEAN countries signal a triumph of technology, modernization and hard work over traditional ideas of geography and some historical European assumptions.

The demonstrable competence and creativity of Asians in business and technology — and here we include the belated modernization drive of the People's Republic of China — has upset three centuries' worth of conventional wisdom about Western superiority in these areas.

Still, this success story — not to mention the very concept of the Pacific basin, embracing the East Asian countries, Australia, New Zealand, the Pacific Islands and North America — is by no means an Asian matter alone. Nor is it purely economic. Now that the GNP growth figures have been coming down and trans-Pacific economic brawling becomes the order of the day, we would do well to remember the real significance of the Pacific basin community to its members.

To argue, as some fashionable economists do, that the whole Pacific idea "is out," now that the growth has abated, is to throw out a pretty big baby along with the bathwater.

The primary factor in Pacific growth has been

the United States. Development and takeoffs in all the Pacific countries, Japan notably included, have been fueled not merely by the immense buying power of the U.S. marketplace but also by American exports, investment, education and ideas. The export and sharing of America's intellectual properties in the last 30 years has in itself played a vital role in building Pacific prosperity.

There is also a political side to the growth story. The peaceful conditions of good trading have been guaranteed by U.S. power. Since Vietnam, the Pacific diplomacy of the United States has been conciliatory rather than coercive.

Unlike the ill-fated South East Asian Treaty Organization of the John Foster Dulles era, the Association of South East Asian Nations was founded as a voluntary association of five equals — Indonesia, Malaysia, the Philippines, Singapore and Thailand — for mutual protection against military attack as much as for economic development and modernization. The ASEAN countries, now joined by Brunei, have a long way to go before becoming anything like an economic community, but they furnish a model for other developing countries that is all the more striking for the sharp diversity of cultures represented.

Free enterprise business has been the guiding principle of the Pacific basin economies, even

though it is often restricted by development-minded bureaucracies. Marxists and doctrinaire socialists have been conspicuous for their absence from the growth scenarios. Where rigid Communist planning prevailed — as in North Korea, Communist Vietnam and, until the late '70s, in the People's Republic of China — the consequent economic ossification has served as a living example of what not to do.

It would be wishful thinking of a high order to classify all the countries around the Pacific Rim as democracies. Varying degrees of authoritarianism exist among them, albeit mixed with democratic forms. Yet economic success has brought high expectations with it, and these are in turn fueled by the pervasive and continuing educational and cultural influences coming from North America. All this has exerted its own pressure for greater political and social freedom.

For the past decade and a half, the three historic Pacific powers — Japan, China and the United States — have been at peace. More, they are cooperating (and also competing) in assisting the fitful but measurable modernization of the People's Republic of China. And the Soviet Union has at last shown signs of getting into the Pacific act. The change in attitude is surely the result of the Pacific community's visible progress.

The writer is president of the Pacific Basin Institute in Santa Barbara, California. He contributed this comment to the Los Angeles Times.

For the New Japan, What Comes After Affluence?

By Naohiro Amaya

Japanese emperor's role before World War II. Since 1945 the institution no longer has that function. Ideology expresses a value system. Marxism once seemed to many to be a dynamic, idealistic doctrine, but people are disillusioned with it. Affluence has eroded our sense of purpose and direction. As a nation we Japanese no longer have to work hard to get ahead. We are already there. The question becomes, where do we go now, and why?

The classic way of setting social goals in periods of flux or moral confusion is to give the people bread and circuses. In ancient Rome, rulers diverted the plebeians with spectacles like gladiator fights and chariot

races. Dazzled by riches and pleasure, the people shared a collective fantasy that theirs was the good life. Rome gorged itself on dreams of prosperity until decadence and inflation ended the party. Barbarian hordes did not destroy the Roman empire, it decayed from within. Japanese today are as prosperous as the Romans were. We, too, may be wasting our energy and new-found wealth on circuses.

Japan has become an economic superpower, but what our contribution to the world will be — our goals, values, commitment — is still unclear. As a nation of merchants concerned only with the bottom line, we just appease others when

our trading style causes us trouble. Most people try to retain some shred of individuality to distinguish themselves from the mass. All too often they assert trivial differences. With the gods dead and materialism supreme, Japanese are adrift on an uncharted sea without a moral compass. We need the philosophy, vision and courage of samurai. We will soon discover that earning a trillion-dollar GNP was child's play compared with creating a value system for post-industrial Japan.

The writer, a former vice minister of international trade, is president of the Japan Economic Foundation. This comment is from Tokyo Shimbun via the Translation Service Center of the Asia Foundation in San Francisco.

Leaven This Winning Formula With Flair

By Dennis Bloodworth

SINGAPORE — The emergence of newly industrialized countries — South Korea, Taiwan, Hong Kong, Singapore — and the shift of economic power to East Asia are often attributed to the virtues of obedience, loyalty, social discipline and hard work that Confucian ethics can engender. In particular, developing countries struggling to keep head above water in a highly competitive world naturally "look east" to the astounding success story of Japan. For in economic terms the Japanese have obviously found a winning formula.

Therein lies the catch. Insofar as the Japanese have taken to the tenets of Confucius, they have emphasized his rigid observance of form and ritual etiquette in a hierarchical social system based on mutual obligations. They appear to have ignored, in daily life at least, the need to reason and question, the all-pervasive humanity and the common consideration of man for man on which Confucius himself insisted.

Influenced by samurai traditions, the stock Japanese "salary man" that we read about is a strict conformist whose first loyalty is to his corporation. He is a clockwork "Confucian" who learns and lives by rote, always defers to his superiors and ideally does not think as an individual, but operates as part of a group, a machine. The watchword is collective efficiency.

The outsider, whatever his plight, is ignored; social cohesion is not a matter of compassion for those one does

not know but of contracts with those one does. A stereotype? Of course. But most Japanese strive to be just that. In any case, it is the stereotype that Southeast Asians admire, and sometimes emulate.

They have no time for the free-thinking, questioning Japanese who rebel against the system. Understandably, because the economic results are spectacular. But it sometimes seems to me that Japan is like a ship that has jettisoned its cargo in order to win a race.

And this is troubling, because the more a man behaves and talks like a programmed robot in the interests of greater productivity, the less will there be any sign of the divine spark, the flair, the imagination and inventive inspiration that moves us upward and not just forward.

We are not here to create a world fit for robots, even when they are activated not by electronic circuits but by nine pints of blood. We must hope that in Southeast Asian man will remain analog and not become digital.

We must hope that the economic exigencies of the region will not force children to become optional attachments to computers from the age of 5, mere gadgetry mindlessly storing facts and figures to pass exams. I would like to see things ease up enough for them to grow into three-dimensional human beings.

The writer, a longtime resident of Singapore and writer on Asia, has just published an updated edition of his book on Southeast Asia, "An Eye for the Dragon." He contributed this comment to the International Herald Tribune.

On the Way: Nonnuclear Deterrence

By Alex Gluksman

WASHINGTON — The truth is out. After more than 40 years of life under the nuclear umbrella, we are addicted to the bomb. For many people on both sides of the Atlantic, the breakdown of disarmament talks at the Reykjavik summit meeting was good news, and the prospect that missiles in Europe may be reduced to zero now causes considerable distress.

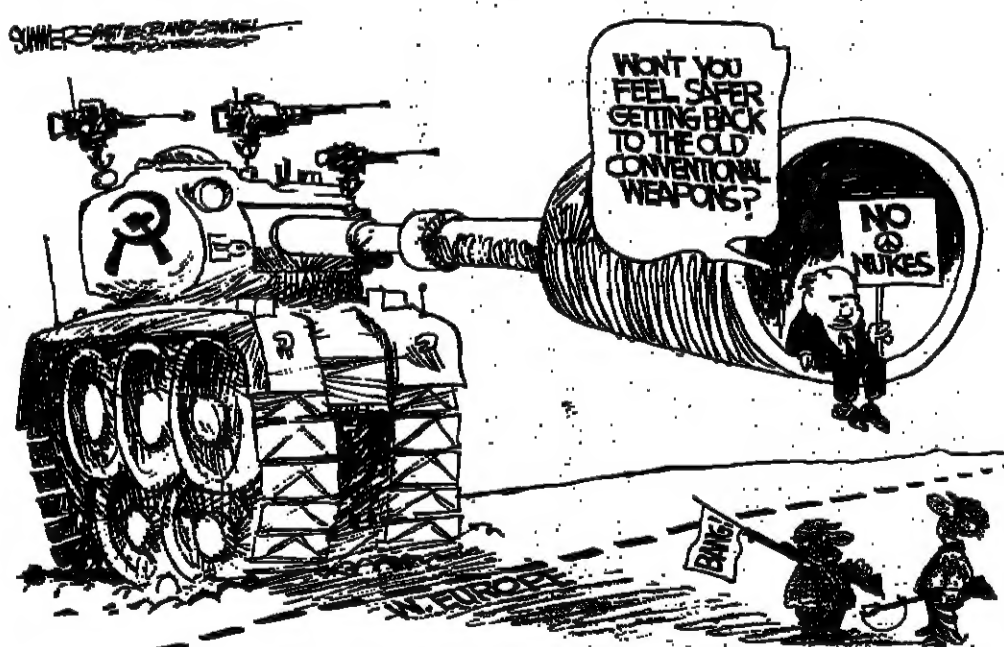
The irony is that while Western officials recognize that a nuclear war means Armageddon, it is the certainty of devastation that gives comfort. Nuclear disarmament connotes a world in which Soviet quantitative arms advantage matters. One can envision an end to the restraints that keep Soviet armies from sweeping to the Atlantic. In sum, taking away nukes makes Europe safe for conventional aggression.

This specter has transformed arms control. The experts have stopped looking for alternatives to nuclear-based security and are engaged in an exercise of formulating stable nuclear balances. This preoccupation with current threats has led policy makers to overlook both nuclear risks and technological developments that could end dependence on nuclear weapons.

This is not to say that conditions are ripe for disarmament, or to deny that on more than one occasion nuclear arms have helped to avert war. But there is no reason for complacency.

The nuclear balance remains precarious. Deterrence assumes that while the West possesses nuclear weapons, no Soviet leader would start a war and risk suicide, no matter what the possible gains. But what is troubling are the 101 ways in which a nuclear exchange could start other than through calculation. Even the late Herman Kahn, a strategist with no qualms about thinking the unthinkable, rated accident, miscalculation or unauthorized use high on his list of nuclear triggers.

Advances in science that previously gave us the bomb are now forging another revolution in military affairs, which may allow us to dispense with nuclear deterrence. Developments in microelectronics, sensors, computers and software are beginning to change the face of the battlefield. While "star



weapons" research has heightened awareness of the role that technology plays in directing strategic thinking, strategic defense is not at issue. Indeed, the frustration on the Strategic Defense Initiative has blinded us to a larger reality: Not only is the prospect of deflecting a nuclear attack bleak, but also, despite the SDI hype, most American defense research focuses on technologies that have direct application to conventional warfare. Western defense experts express confidence that these developments will radically alter conventional military planning.

In the decade ahead, as these technologies are made available, the word "conventional" may no longer suffice to describe the capabilities and consequences of these so-called one-dish, one-kill weapons, which can distinguish and destroy tanks, artillery, command posts and other targets.

General Secretary Mikhail Gorbachev and the current and former military chiefs of staff, Marshals Sergei Akhromyev and Nikolai Ogarkov, have noted these developments and expressed fears that exotic weapons could be as threatening to military forces as nuclear weapons are today. Moscow has good reason for concern. If these technologies fulfilled their promise, they could place at risk what the Soviet Union values most — its military. That would neutralize Moscow's quantitative advantage and counsel against armed adventure.

This is not an issue about turning swords into plowshares but about

weapons of an especially deadly character. The high probability that an attacker's forces would be decimated is what could provide nonnuclear deterrence. The advantage of this form of dissuasion lies in its ability to threaten military forces without placing all of mankind in jeopardy.

Nevertheless, all weapons are double-edged. Even this form of deterrence will not be risk-free. Some fear that the temptation to pre-emptively strike East bloc forces before they can attack would be particularly strong during crises. Arms control has a role to play here. Creating weapons-free zones on both sides of the East-West borders would be one way to reduce the danger that defensive measures would be misinterpreted as preparations for an attack.

Since these new weapons will not be available overnight, there is time to negotiate a stable transition.

In the interim, nuclear deterrence remains a fact of life. Those who portray the zero missile option as disarmament are missing the big picture. Some 4,600 tactical weapons would remain in Europe and, with 300,000 U.S. troops on the ground, Moscow is not about to dismiss U.S. strategic forces as irrelevant in the regional security equation.

A final problem: Exotic weaponry will not be cheap. One reason for nuclear dependence is NATO's failure to make the sacrifices required for an expensive conventional defense. This reluctance is understandable when tra-

ditional conventional options could not possibly deter the enemy. But emerging technologies may help to change this. If new weapons can offer security without the nuclear threat, the public may be willing to bear the cost.

The writer, director of strategic defense studies at the United Nations Association of the United States, contributed this comment to The New York Times.

Five Billion: A Triumph, A Challenge

By Flora Lewis

LONDON — Perhaps while you are reading this newspaper, or perhaps next week, but soon in any case, the five billionth living inhabitant of Earth will be born. Before the century ends there will be six billion. Population is growing by 150 a minute.

Is it a triumph or a threat? Clearly it is both. The numbers reflect the advance of human ingenuity in wresting survival from nature. Agriculture, medicine, science, industry have transformed the planet's ability to support human life to a degree unimaginable even in the middle of this century.

How much further can we go? Obviously, nobody knows. But we do know that, somewhere there are limits and that they lie in the capacity of the soil, the atmosphere, the regenerative forces that enable nature to continue supporting us. Either we will learn to face them and care for them, or nature will reimpose the old Malthusian methods of famine, pestilence and war to restore its own kind of balance.

The UN Fund for Population Activities has been holding a conference here in an attempt to peer ahead. Because it is a United Nations group, it is also concerned with development, with the chances of all these burgeoning masses of people to extricate themselves from misery. It isn't really true that the world is getting poorer, as is sometimes said. But it is indeed true that there are more and more desperately poor people, increasing by some 220,000 a day.

Further, as Lester Brown of the Worldwatch Institute pointed out, it is also becoming more and more difficult to deal in an isolated way with the problems being provoked. There is a chain reaction. Each important change in the balance provokes another, at an accelerating pace.

In poor countries, expanding population brings deforestation as people cut down trees for firewood. That exposes topsoil, so people turn to using animal dung for fuel instead of as a fertilizer, which impoverishes the soil even more. Tropical rain forests maintain the moisture which keeps the rains coming. As coastal lands lose their cover, the forests become savannas and eventually deserts.

Depletion of environmental resources affects economic capacity, which comes to affect politics. Nothing is really disconnected in the long term. Mr. Brown gave some disturbing figures on Mexico. It was the first country to launch the green revolution, tripling its grain production from 1950 to 1970. But population grew so fast that its agricultural output is now going down and it is importing large amounts of food.

Even with its oil bonanza, import needs forced Mexico into debt that are now beyond control. It has to borrow more just to pay the interest. At last the burden of a population that grows too much faster than the economy has been recognized. But it is part of the dilemma, as Mr. Brown says, that it is much easier to reduce population growth when living standards are rising. The opposite is perversely true when the economy is declining.

The well-to-do countries can pass all kinds of immigration laws, but the pressures of at least a portion of these rapidly growing populations around the world to seek the old escape by migration will continue to mount. They come from Africa and Asia as well as Latin America.

Edgard Pisani of France said he had drawn two maps of his country. One showed where Moslem immigrants live in particularly heavy concentrations. The other showed where there are concentrations of voters supportive of Jean-Marie Le Pen, the leader of France's ultraright party. The two maps were exactly the same. Mr. Le Pen's party is still marginal, but it is a blot and could become a menace to French democracy.

The technical side of the population issue and what can be done about it is difficult enough. But there is an underlying political argument, usually veiled, that makes it all much worse.

Until recently, many African and other Third World leaders took the stand that population control efforts were a hidden demand for maintaining white supremacy. Population size is equated with power in the world, and since they know they are not going to win the race for economic power in the foreseeable future, some of these leaders go for population power. In response, some whites are now arguing in favor of population growth in Western countries so as not to be outbred.

But if population is still a political weapon, it is double-edged. All, rich and poor, will be adversely affected unless it is seen as a global problem, part of man's responsibility to preserve the sustaining balance of nature.

The New York Times.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: All Eyes on Ohio

NEW YORK — Only 124 of the 1,078 delegates to the Republican Convention are yet to be elected, and the Convention is less than five weeks off. President W.H. Taft has 484 delegates and Theodore Roosevelt 380, the President lacking 56 votes and Mr. Roosevelt 160 of the required majority. Should Mr. Roosevelt get all the delegates yet to be chosen, he would not have a majority. That, however, does not make his nomination impossible, because upward of 175 delegates for Mr. Taft are bound informally and could desert him. Mr. Roosevelt's managers are striving to create discord among them in the hope of winning enough to prevent the nomination of Mr. Taft. The Ohio contest (on May 21) is the big test. If the President wins the majority of the 48 delegates, nothing, it is believed, can prevent his nomination.

1937: Baldwin Sums Up

LONDON — Europe today is neither at war nor at peace, but "stands at armed attention," Stanley Baldwin declared (on May 18) in what he described as his last speech before a great audience as Prime Minister. It was a moving oration, which the elder statesman, who retires within a fortnight to the House of Lords, made to an audience of 10,000 young men and women in Albert Hall. Mr. Baldwin vibrantly called upon British youth to defend democracy against the tyranny of dictatorships. Against the brute force of dictatorships, Mr. Baldwin set up the ideal of a Christian state combining democracy and monarchy. "The old doctrine of the divine right of kings is gone, but we have no intention of erecting in its place a new doctrine of the divine right of states, for no state that ever was worthy of a free man's worship."

OPINION

No Longer a Golden Land
For All Who Want Work

By A.M. Rosenthal

NEW YORK — One night, creeping through the bushes along the Texas side of the U.S.-Mexican border, I began to laugh. I laughed until I had to sit on the ground to control the sense of wild comedy that suddenly had seized me.

A colleague and I had been taken out by the men of a U.S. border patrol, who were to show us how they caught wetbacks — illegal aliens — trying to sneak across a shallow part of the river that separates the countries. Slithering along in the dark, I suddenly thought, I'm one, too — a wetback — and so was my father.

I had a swift image of my father wiping tears of laughter from his eyes if he could see his only boy solemnly

laughter this time. He had left Russia in the early part of this century because he detested czarist despotism. He went to Canada. He was a bookish outdoorsman and became a farmer, a layer of track and, finally and most happily, a fur trader in the north country.

But Harry somehow could not make a living in Canada. So he moved the wife he had sweet-talked into joining him in Canada, five daughters and me to the United States. People did that a lot in those days, moved to where the work was.

Harry died when I was 13. Five years later, I discovered that he had never become a citizen of the United States. So I was not one, either. And when the Authorities found out that I could not tell them precisely what train I had taken to the United States when I was 4 years old, they told me I was in America illegally.

They gave me an alien registration card, however, and allowed me to stay. To become a U.S. citizen I had to go back across the border, many years later, get the proper papers at a U.S. consulate and officially enter the country where I had lived for most of my life.

I am sure that the reason Harry never became a citizen was that he had trouble answering those pesky questions, in the application form, about entry details.

Most of the millions of immigrants who helped build the United States also came to earn bread for themselves and their families. They called it the Golden Land, not because they thought they could sweep up riches but because they knew they could work and earn. They were often weary with labor and worried about the next dollar, but I never once heard "Golden Land" said with derision.

Harry deeply loved the open far country of Canada and he would have preferred to remain there as a fur trader. But if he had to give that up and take a job he hated in New York to support his family, he did. And he blessed this land for the chance. He blessed it even in the months after he fell off his house painter's scaffold, those bad and lingering months before his death. There were no czar and no Cossacks and no Communists, and in the United States a man could make a living.

President Ronald Reagan has turned down the appeal from President Duarte. Sometimes the benefits of being an American ally are hard to discern. So if Harry was a Salvadoran he might be getting ready now to be thrown out of the country. That could have gone for me, too. Of course, they would have had to catch me first.

The United States is no longer the Golden Land for all who are seeking work. But Congress, at least, can make exceptions for economic refugees, those who flee war to make a living. Some of the senators and representatives in Washington may be Harry's boys, too.

The New York Times.

ON MY MIND

crawling through bushes with a bunch of young cops keen to catch people doing pretty much what we had done, long ago. His hilarity was contagious.

"I am one of them," I finally was able to whisper to my fellow editor, pointing across the river. "Not one of them," pointing to the men of the border patrol.

That was a few years back, and just the other day I again felt like the ones across the river, when I read an appeal from President José Napoleón Duarte of El Salvador. It was in behalf of the hundreds of thousands of Salvadorans who had journeyed to the United States to try to earn a living — exactly the reason my father, Harry, had come to the United States from Canada.

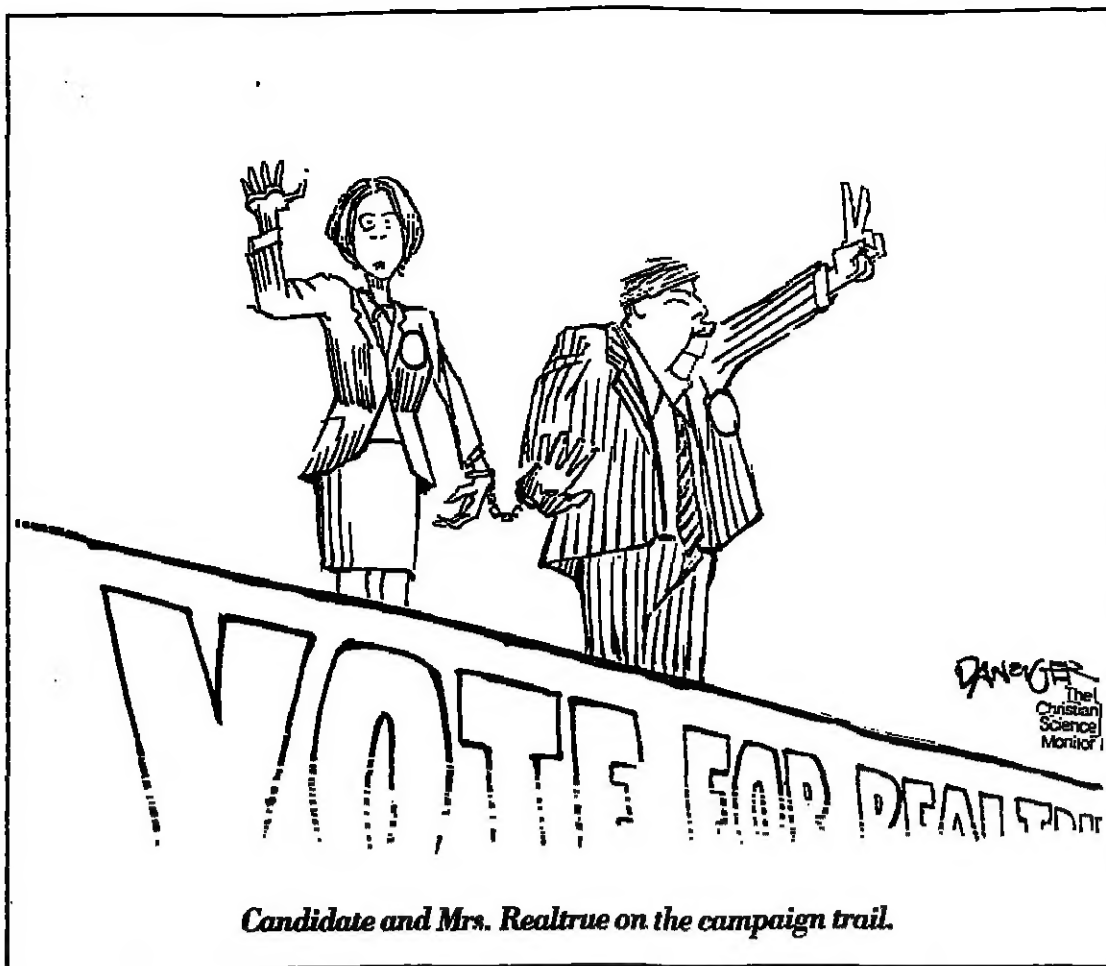
The Salvadorans are in the United States without legal papers, as my father and I had been. Under the new immigration bill, they will have to get out. Instead of being able to send money home, they probably will wind up in some Salvadoran village waiting for U.S. aid handouts.

The new immigration bill generally makes sense. It grants amnesty to those illegal aliens who can prove they entered the United States before Jan. 1, 1982, and have been present continuously since then, and it provides quotas for the future. In the words of its supporters, it closes the back door of illegal immigration to keep open the legal front door.

There are exceptions for illegal immigrants who claim political refugee status — including some anti-government Salvadorans who cite fear of terrorism. But it does not exempt most Salvadorans in the United States, who fled their embattled country in economic desperation.

I thought of Harry again, but without

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Candidate and Mrs. Realtrue on the campaign trail.

In Life's Imperfect Garden,
Even a 'Weed' Has Its Place

By Ellen Goodman

BOSTON — There is a stranger in my garden: A small yellow tulip that has appeared in the stand of daffodils and seems intent on staying there.

The tulip was, I assure you, uninvited. I did not set a place for it. Indeed, when I first spied this stranger, I was as welcoming as a hostess whose carefully planned party had been crashed by the wrong sort.

So I stand in front of it this morning wondering at its arrival. How did it get

MEANWHILE

into my purposefully designed and arranged border? Had it been planted by some earlier gardener and lain dormant for years? Was it dropped by a passing squirrel? Was it a stowaway that came along with last year's fertilizer?

My first, xenophobic instinct is to attack this interloper. I should find a trowel and root it out of my turf. I might have once. But I doubt that I will today.

This tulip is not the only unplanned progeny of my small patch. For reasons I cannot explain, the lilies have had a litter of offspring under the wrought-iron staircase. I do not know what will happen as they grow. Will they come up through the grate? Will we have to walk through them in July? I should take com-

mand, order them out. I probably won't.

In the vegetable patch as well, there are odd goings-on. A head of lettuce has appeared on its own. It is what they call a volunteer, a crop that seeded itself from last year's. If this season is like others, there will be two or three other volunteers. I should not allow them to usurp space in the middle of the neat rows of tomatoes that I will draft into action. But I probably will.

Would a more conscientious gardener than I eject the stranger, root out the accidents, bounce these disrupters of a grand scheme? I am sure of it.

The most modest gardeners, after all, dig the earth in search of order. We try to work a small piece of the universe to our exact liking. Ours is the work of cultivating what is wild, domesticating nature, putting our handprints on the earth.

I have always assumed that one of the pleasures of gardening is in this creative power and predictable ordering. We often call gardening a great escape. It is so much easier to shape a landscape to our satisfaction than it is to shape a life. There are fewer variables in the plot. Plant an iris and you get just what you expect. When mistakes are made, you can weed them out, painlessly.

Yet I am reluctant to remove this tulip. I could tell you that my reticence is a hangover. This has been such a long New England winter. I do not want to show ingratitude for any colorful survivor. But I think it is more subtle than that.

Over years of gardening and parenting and living, many of us develop more respect for anomalies, for chance, for mistakes, even mysteries. So have I. The desire the young often have — to plan and control life — gives way to the desire to coexist comfortably, even pleasantly, with the unexpected and unexplained.

I have begun to understand lately why certain tribes leave their designs unfinished, why others are superstitious about creating perfect patterns on rugs or wall hangings or even jewelry. They choose to weave in an admission of human imperfection. They recognize that humans do not have complete control. They accept the rightful place of accident.

At their most formal, gardens and lives that operate under rigid rules do not leave much leeway. The Queen of Hearts had her white roses painted red. The King of France created a garden at Versailles that was altogether too flawless. Yet, neither could fend off chaos.

I would rather allow some space in my design for disorder, for surprise and mystery. So, if there are volunteers in my vegetable patch, surely they are more important than the orderliness of my rows. If lilies grow through the staircase, we can walk around them in amusement. And the tulip? I am sure there is room in this small and orderly garden for even a stranger of unknown origin.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Contra Ban, Reinterpreted

The U.S. State Department's finding on the anti-ballistic missile treaty points to a way out of the contravention affair for President Reagan. If the treaty can be "reinterpreted" as authorizing the development of space-based ABM systems, why not "reinterpret" the congressional ban on contra aid as authorizing assistance to the anti-government rebels?

MARK R. ANSPACH, Paris.

A Nonpartisan Senator?

I was heartened to read Senator Daniel K. Inouye's opinion column "Irrelevant: These Hearings Should Be Nonpartisan" (May 4). It was a relief to hear that he will try to keep these public hearings nonpartisan. But in a front-page report in the same issue, the senator is quoted as saying, "The president knew much more than the White House has indicated."

This, two days before the hearings began. What a nice unbiased way to start them.

F.J. UROS, Limassol, Cyprus.

Back to (Soviet) Estonia

A. Ryan Jr., formerly of the U.S. Justice Department's Office of Special Investigations, defends the deportation of

Karl Linnaas on the grounds that Linnaas received the full benefit of due process in American courts (Letters, May 7). Mr. Ryan presents a strong case, but he ignores the question of justice in America's relations with other countries.

The United States, like most other Western countries, has not recognized the illegal incorporation of the Baltic states — Estonia, Latvia, Lithuania — into the Soviet Union as a result of Nazi Germany's collaboration with the Soviet Union from 1939 to 1941. But handing Linnaas over to the Soviet Estonian authorities is recognition that they now represent the Estonian people.

Karl Linnaas worked for the Nazi Germans, and therefore West Germany should have taken the responsibility for prosecuting him as an alleged war criminal, just as an independent Estonia would have tried him for collaboration and war crimes against its citizens.

But there is also another point, no less disturbing. Whatever happened to the Western concept of justice whereby criminals are not to be delivered across borders to countries in which cruel and unusual punishment awaits them? Has the United States broken with this noble principle? Or has the Soviet Union under Mikhail Gorbachev suddenly become a paragon of virtue?

ATTIS LEJINS, Stockholm.

Questions for Israel

Regarding "Israel Is Ready to Talk Peace; to Whom Should It Talk?" (Letters, April 30), I suggest: to one or both of the two elected mayors in the occupied West Bank who had their legs blown off. Or to the P.L.O. the preferred representative of West Bank inhabitants.

Simpler, implement the Camp David agreement, which would have given autonomy to the West Bank by 1984 if Menachem Begin had not sent in more settlers as soon as he signed the accord.

M.P. HIGHSMITH, Tessin, Switzerland.

Joseph Lerner of Jerusalem attacks Arab states for not accepting Palestinian refugees as citizens (Letters, May 6). He should ask why Israel does not allow the Palestinians, under threat in Lebanon and in exile everywhere, to return to their homeland and be compensated for the homes and land they have lost since 1948.

M.B. KATZ, London.

Exorbitant Tuition Costs

It was with great interest that I read your report on the increasing costs of a college education. ("In U.S., Harsh Debate Over Why College Costs Rise So Rapidly," May 13.) When I was a Har-

vard undergraduate in 1942 and 1943, the annual tuition was \$400; i.e., \$100 per course. Percentage-wise, the increase between that figure and today's cost is way beyond the rate of inflation, and I certainly cannot find any good reason for it.

DANIEL SALEM, London.

Baby Talk and Hearing

I found "The Importance of Baby Talk" (Science, May 7) interesting, but I was surprised that hearing disorders got but fleeting mention. Surely the first problem to consider, and hopefully to exclude, in linguistic disorders, is hearing disability. One would hope that non-professionals would look first to hearing problems before searching for others. I am certain that Drs. Arnold Capute, Bruce Shapiro and Frederick Palmer of the Johns Hopkins University School of Medicine are well aware of this.

BARBARA HARRISON, London.

How to Trim the Deficit

There is at least one thing America could do to relieve its trade deficit: export goods that it has been denying to less technologically advanced countries.

OSVALDO COELHO, Kaduna, Nigeria.

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Japan Gets in Paris's Hair

PARIS—The opening of another hairdressing salon in Paris is not, per se, an earthshaking event. However, Alexandre Zouari is something else again.

It is backed by the Japanese cosmetics firm of Shiseido, a \$2.5 billion company with 22,000 employees. Shiseido invested \$3.3 million in the venture. The salon, near Place de l'Alma, was decorated with silk settees and blond marble by Jacques Grange, a favorite of, among others, Yves Saint Laurent and Marie-Hélène de Rothschild. Bernadette Chirac, wife of the Paris mayor, was on hand last Tuesday to cut the ribbon—which, again, seemed a bit out of proportion. About 500 people came to the cocktail party and later that evening Tout-Paris went to a black-tie dinner party given at Maxim's by Zouari for the president of the company, Yoshi Ohno, who was unable to attend for reasons of health. Ohno was replaced by the company's executive vice-president, Yoshiharu Fukuhara.

According to Fukuhara, Shiseido started 125 years ago with pharmaceutical products. They are now best known for cosmetics and hairdressing products, which have been distributed in Italy for 20 years and in West Germany 22 years. They are planning to expand

into France, Britain (next fall) and the Netherlands. "However," Fukuhara said, "Europe is still a small percentage of our volume." Asked about rumors that they were buying Hermès, he said: "No, it's not a straight purchase and it's still a

HEBE DORSEY

secret. It's not a merger either but something which will be beneficial to both sides. We've been having negotiations with Hermès for quite a while and we're looking at other French companies as well."

Jean-Louis Dumas-Hermès, Hermès's president, said, "Hermès is flourishing and it's not for sale. Our only negotiations with the Shiseido group involved the possibility of their distributing our perfume in Japan."

According to a Paris financier, who had heard the Hermès-Shiseido rumor, given the present Japanese buying power everything is possible, "and if they offered three times what Hermès is worth, it might be very tempting. The Japanese are also crazy about prestige and in this respect, Hermès is one of the best companies in France."

Shiseido's impact on Paris has

been slow and low-keyed but sure. Five years ago, they hired the makeup artist Serge Lutens away from Dior to create the Shiseido image—very languid and very pale with bright red lips. They have also kept close to fashion, coiffing several collections, including Thierry Mugler, Hanae Mori, Yohji Yamamoto and Kenzo.

According to Akira Takai, manager of the Zouari salon, Shiseido backed Zouari because they needed Parisian prestige to upgrade their line of hairdressing products (which represents 20 percent of their volume) at home. Their products are distributed in 16,000 beauty salons in Japan and lately, he said, they were losing ground. Shiseido is going to create a hairdressing line in Zouari's name and will open several Alexandre Zouari salons in Japan. Their idea is to create a strong deluxe image. They also plan to open more Zouari salons in France. "We already have one in Deauville," he said. "We'd like to open in Monte Carlo." Zouari cosmetics and eventually a perfume are also in the wings. Long resistant to fragrances, the Japanese market is just opening up to them now.

Why Zouari? "Because we



At opening, from left, Fukuhara, Mrs. Chirac, Zouari.

looked around for a young hairdresser and found that Zouari was already a star," he said. "He had done several shows in Japan" for L'Oréal "and last February, he did a show for us attended by 2,800 people."

The Tunisian-born Zouari started his career at 18 at Lorea's and then went on to Maurice Franck's. From the start, he made a point of coiffing prominent women, including Princess Soraya, Claudia Cardinale and Margaux Hemingway. He became a favorite of Princess Ira von Furstenberg. He also went several times to Saudi Arabia for extravagant weddings and parties.

A talented hairdresser, he is particularly good at elaborate evening coiffures.

While working at Franck's, Zouari went seven times to Japan for L'Oréal. "That's when the Japanese discovered me," he said. "They like my luxe side. I was lucky to know a lot of important women who helped me and I knew exactly what I wanted. I find that hairdressers are not respected nowadays and I would like to bring glamour back to this business. My dream would be to continue the tradition of Alexandre de Paris," a legend in Paris launched by the Duchess of Windsor.

A Life of Being Arthur

By Mike Zwerin

PARIS—Arthur Garfunkel has a theory that people conform to the implications of their names. Arthur helped him earn early fame and fortune, allowing the subsequent luxury of what he describes as "a life of constant philosophizing." He is certain his existence would have been quite different had he been named Peter.

He does not pretend to be Paul. "I never wrote songs because Paul Simon is such a great songwriter," he said, without bitterness. It was a statement of fact about his oldest friend and former partner. "There just did not seem to be room for me. I didn't want to put in 'equal time' for my own sake. I'm an interpreter of songs. I love to sing pretty melodies and I think I do it well."

"Arthur" rolls melodiously off the tongue; there is something romantic about it, implying lonely valor: "The love of my life died" in 1979 "while I was on location in Vienna playing the lead in Nicholas Roeg's film 'Bad Timing.' I became heart-heavy, reclusive, I pulled back. I was no longer in touch with what others were doing." He took long lonely walks in Japan, and through the Delaware Water Gap. He spent a summer by himself in a house in Dubrovnik playing Bach on a harpsichord. He began to read the dictionary "starting from letter Z because 'it seemed like less of a commitment.'"

He has since filled six pocket notebooks—back-to-front for the same reason—with more than 700 poems. He calls them "bits, in the Lenny Bruce sense." It is time to explain himself. He feels "stronger now, better informed. My fans probably think 'he's the silent one. He obviously thinks but we don't know what he thinks.'"

Still, he wonders if poems, like songs, must inevitably lead to business—to promotion campaigns, sales seminars and reviews. Does he want editors as well as producers asking him, "But what's it about?"

After their biggest album, "Bridge Over Troubled Water," in 1971, Simon and Garfunkel went their own ways but reunited a decade later to give what Simon described as a "neighborhood concert" for 500,000 people in Central Park. They continue to live on opposite sides of the park. "My relationship with Paul has reached a point where there's no need for words," he says. "We're like a couple that has come through to the other side of romantic love into something deeper."

Having arrived in Le Havre on a freighter from New York last week, Garfunkel was talking in the lobby of an anonymous hotel in Montparnasse. He had spent most of the day before at the Orsay Museum. The next day, hoping to come up with some answers along the way,



Garfunkel: "I love to sing pretty melodies."

he would leave for a two-week motorcycle ride in the general direction of Biarritz.

He recently completed an album, but it has not been released. His solo albums have not sold as well as Simon's, though his name and voice recognition both remain high. His record company is anxious to exploit them. "My contract with CBS specifies creative control. I have the right to determine who's on the album, what the title is and what the package will look like. But it turns out not to be that simple. They say they can shape the product and never mind creative control. Just play ball. They want me to cut another two songs to try for a hit single. I hear a couple of giant hit singles already on there. I worked hard on this album. I think it's my best one. I love what I do, I invest a lot of energy and thought into it. It hurts to have to fit it into some executive's concept and to realize that he seems to have the ultimate power."

The former CBS chief Clive Davis once pressured Simon and Garfunkel to finish an album they were working on. "Come across with more product," Davis urged.

"Just have some patience," they replied. "Take the high road, and we'll end up with an awful album that everybody will like, and everybody wins." The album turned out to be the successful "Bookends."

But it's more complicated now (everything seems to be more complicated now). "The business started to go sour just about the same time I began to sell less. So I realize this can sound like sour grapes, but the genuine joy, the life force, went out of rock 'n' roll as it turned into

an accountant-dominated, Wall Street-owned business intent on safe quarterly profits above all. Part of loving rock 'n' roll is being 16 and feeling 'this is my stuff. My parents don't get it and they're not supposed to get it and if they did get it I'd find something else.' How can any schoolyard hero today invest anything in rock 'n' roll, knowing its corporate nature?"

On the other hand (there always seems to be another hand), his friend Jack Nicholson says: "Sometimes you have to bet against your own intelligence." Maybe he should try to be more "cool," a word he defines as "elegant." He is leaning to agreeing to add the two songs, though there is a line he will not cross and, somewhere in southeastern France, he is trying to figure out where to draw it.

Although grateful to the "openness of the American system which allowed a middle-class kid without any inside track to enrich my life with a God-given talent, through hard work," he is appalled by how his fellow Americans have become obsessed with "exploiting that openness only to make millions."

At the end of the Oscar-winning film "The Graduate," which featured the music of Simon and Garfunkel, Dustin Hoffman finally gets the girl. They sit together on the back of a bus going they know not where staring wordlessly into space. Viewers are supposed to wonder, "Now what? What happens after a happy ending?" Referring to it, Garfunkel hesitates and then quotes from his friend's hit, "Mrs. Robinson: '...every way you look at it you lose.'"

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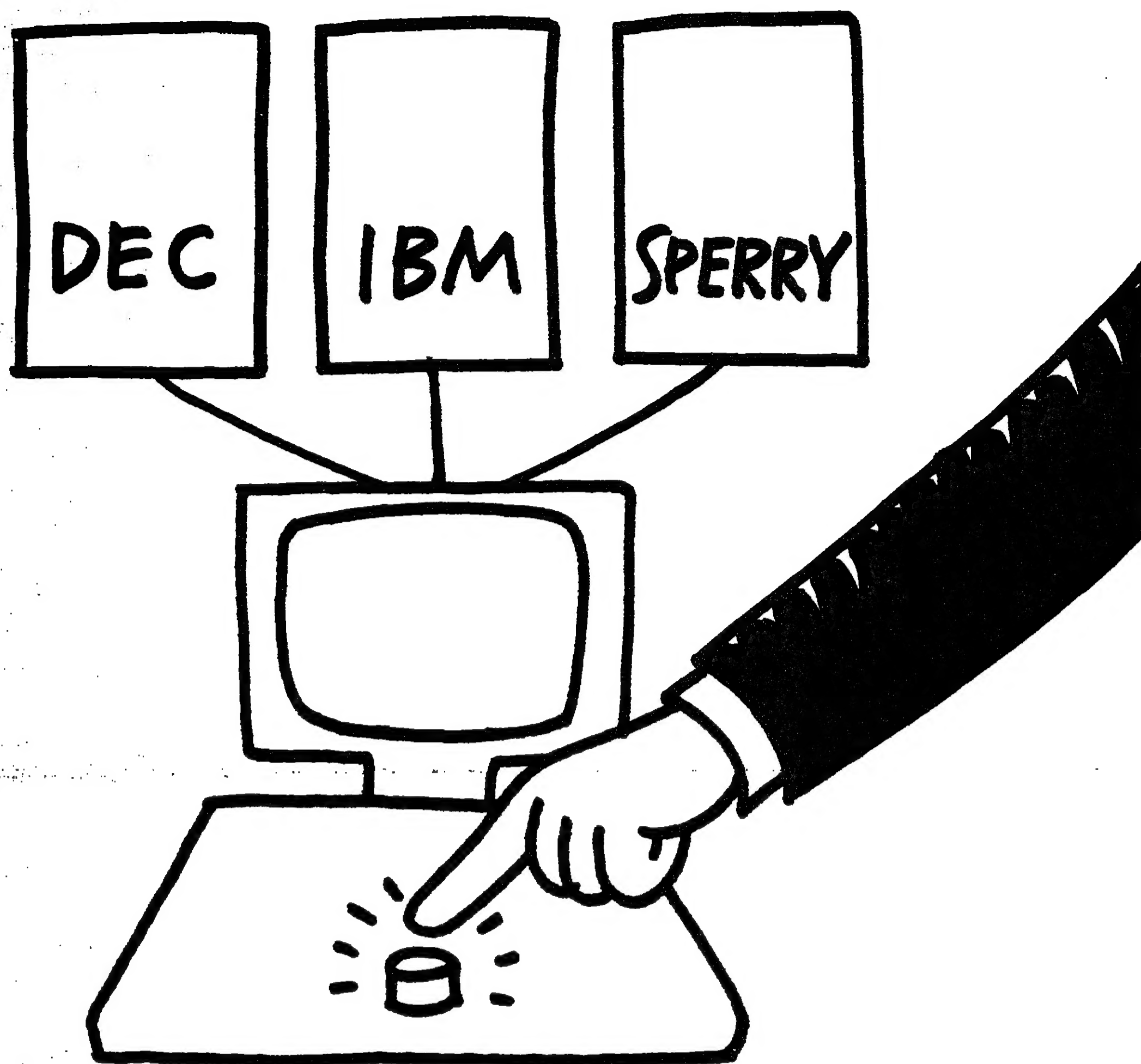
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IBM	120.00	119.00	119.00	-1.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00	1,234,567	119.00

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Falls on Inflation, Rates

NEW YORK — Prices on the New York Stock Exchange posted a broad loss for the second consecutive session Monday in selling attributed to concern over inflation and the outlook for interest rates.

The Dow Jones industrial average, down more than 30 points at midday, fell 13.86 to close at 2,258.66. Declines led advances by a 3-1 ratio.

The Dow fell \$2.97 points on Friday. Volume on the NYSE was 174.16 million shares, down from 180.80 million Friday.

Analysts said traders were still concerned over signs that inflationary pressures might be picking up, sending interest rates higher.

"The pessimism was really thick this morning when everybody came to work," said Hugh Johnson, head of the investment policy committee at First Albany Corp. "People are very, very nervous about interest rates."

He said participants were unnerved by the bond market's collapse Friday and about rising commodity prices, as reflected in the Commodity Research Bureau price index.

"Most analysts spent the weekend trying to figure out whether there was any substance to the market's inflation worries, and they walked away thinking the fears were well-founded," Mr. Johnson said.

On Friday, major banks raised their prime lending rates from 8 to 8 1/4 percent. As the new trading week began, there was widespread conjecture that the Federal Reserve would soon raise the discount rate, the charge it sets on loans to private financial institutions.

"The Federal Reserve is in the middle of a street fight with inflation driven by the declining dollar," Mr. Johnson said.

After last week's report that the producer price index rose 0.7 percent in April, fears increased that this Friday's figure on the consumer price index, for last month would be similarly worrisome.

Brokers also said the market was unsettled by news of the missile strike on the U.S. Navy frigate Stark in the Gulf, even though the attack was described as apparently inadvertent.

Among actively traded blue-chip stocks, Ford Motor dropped 3 1/2 to 90 1/2; General Electric 1 1/2 to 100 1/2; and American Telephone & Telegraph 1/4 to 26 1/2. International Business Machines rose 1/4 to 161 and Coca-Cola was unchanged at 39 1/4.

Securities industry issues were weak. American Express fell 1 1/2 to 30 1/2; Bear Stearns 1 1/2 to 15 1/2; Morgan Stanley 1 1/2 to 72 1/2; First Boston 1 1/2 to 45 1/2; Salomon Inc. 1 to 32 1/2; Merrill Lynch 1/4 to 34 1/2; and E.F. Hutton Group 1 1/2 to 35.

The most notable gainer was Harcourt Brace Jovanovich, up 1 1/2 to 46 on turnover of more than 3.2 million shares. British Printing & Communications PLC said it had proposed to buy Harcourt Brace for \$44 a share.

The stock price jumped \$34 as traders anticipated a possible battle for control of the company. Harcourt Brace called the British Printing offer "preposterous."

The news sparked buying of other publishing stocks. McGraw-Hill climbed 3 to 65; Macmillan Inc. 3 to 34 1/2; Houghton Mifflin 2 1/2 to 34 1/2; and Grolier 1 1/2 to 12 1/2.

American Savings & Loan of Florida, which said that a Miami investor, Ted Arison, is considering buying the company for \$17 a share, gained 1 1/2 to 14 1/2.

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Open	Change
120.00	119.00	IBM	3.20	2.8%	15.0	120.00	119.00	119.00	120.00	-1.00
110.00	109.00	AT&T	2.80	2.5%	14.0	110.00	109.00	109.00	110.00	-1.00
100.00	99.00	GE	2.50	2.5%	14.0	100.00	99.00	99.00	100.00	-1.00

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Open	Change
120.00	119.00	IBM	3.20	2.8%	15.0	120.00	119.00	119.00	120.00	-1.00
110.00	109.00	AT&T	2.80	2.5%	14.0	110.00	109.00	109.00	110.00	-1.00
100.00	99.00	GE	2.50	2.5%	14.0	100.00	99.00	99.00	100.00	-1.00

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk. High	52 Wk. Low	Close	Open	Change
120.00	119.00	IBM	3.20	2.8%	15.0	120.00	119.00	119.00	120.00	-1.00
110.00	109.00	AT&T	2.80	2.5%	14.0	110.00	109.00	109.00	110.00	-1.00
100.00	99.00	GE	2.50	2.5%	14.0	100.00	99.00	99.00	100.00	-1.00

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100.00	99.00	GE	2.50	2.5%	14.0	100.00	99.00	99.00	100.00	-1.00

(Continued on next left-hand page)

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TUESDAY, MAY 19, 1987

INTERNATIONAL STOCK MARKETS

Unified German Exchanges
Tap New Secondary Market

By FERDINAND PROTZMAN

International Herald Tribune

FRANKFURT — When West Germany's stock exchanges formally banded together nearly a year ago under the aegis of the Federation of German Stock Exchanges, many observers questioned whether the eight bourses could bury their long-time rivalries and act as one.

The creation of an umbrella organization was seen as critical, however, to West Germany's hopes of competing effectively with the world's other major financial centers: New York, Tokyo and London. But heading the federation was viewed as an unenviable, if not daunting task.

That challenge helped lure Rüdiger von Rosen, the federation's executive vice chairman, away from a secure job as the head of the Bundesbank's press and information department. Six months into his new role, Mr. von Rosen is keenly aware of the immensity of his task as the federation's chief operating officer.

"It's still a challenge to help make 'Financial Center Germany' more internationally competitive," he said in a recent interview. "It will be a challenge for the next decades, there is no doubt about that."

"We are well aware that international markets have developed quite significantly. People still speak mainly of New York, Tokyo and London, although Germany's economy and markets play a very significant role."

To help change the perception of West Germany as a significant, but sometimes deliberately provincial, financial center, one of the federation's first moves was Mr. von Rosen was to install a new method of calculating turnover. The new method takes account of both sides of a trade instead of just the sale.

This brought West Germany's turnover compilation into line with procedures used in London, its main competitor as a European financial center. The change also eased statistical comparison for international investors.

THE Frankfurt and Düsseldorf bourses account for about two-thirds of turnover in West Germany. The Munich, Bremen, Stuttgart, Berlin, Hamburg and Hannover exchanges have far fewer listings and serve mainly as regional trading centers.

"Using the new calculation method, we had, astonishingly enough, total turnover on the eight exchanges of 650 billion Deutsche marks (about \$365 billion) in the first four months of 1987, for stocks and bonds," Mr. von Rosen said.

But compared with other European markets, he said, Germany has "a certain capital market potential."

The federation's most recent innovation was designed to tap that potential. On May 4, West Germany's stock exchanges opened a new secondary market for stocks and bonds, intended to encourage more of West Germany's 2,200 small and medium-sized companies to trade their shares publicly. Currently only a small percentage are publicly traded.

The secondary market is the fourth form of equity trading in West Germany. Stocks and bonds are traded in official dealings on the bourses, as well as in regulated free trading and unregulated free trading.

Only 29 stocks are listed on the secondary market and volume has been described by traders as "very slow."

While some business publications have suggested that West Germany's traditionally cautious corporate leaders are reluctant to run the risks of public trading, Mr. von Rosen believes the market will find wider acceptance.

"If a company is good, and has well-based leadership, then there is no risk in going public," he said.

The climate in the last three or four years has been very open and progressive for corporations to go public, he said.

"We've had a great deal of interest from smaller companies, so

See GERMANY, Page 13

Currency Rates

Cross Rates	May 18
Amsterdam	2.3615
Bremen	2.3615
Düsseldorf	2.3615
Hamburg	2.3615
Hannover	2.3615
Munich	2.3615
Stuttgart	2.3615
Berlin	2.3615
Frankfurt	2.3615
London	1.641
Paris	1.3665
Switzerland	1.456
Yokohama	163.80
Tokyo	163.80
Zurich	1.456
1 Swiss	1.456
1 French	6.5596

Changels in London and Zurich, Rates in other European centers, New York rates of 4 P.M.

(a) Commercial rates; (b) Amounts needed to buy one pound; (c) Amounts needed to buy one dollar; (d) Units of 100 (e) Units of 1,000 (f) Units of 100,000 (g) Not quoted; (h) Not available.

(i) To buy one pound, 100 U.S. dollars.

Other Dollar Values

Currency per U.S.	May 18
Australia	1.4964
Canada	1.3402
Denmark	6.46
France	6.5596
Germany	2.3615
Italy	1.3665
Japan	163.80
Netherlands	2.3615
Sweden	4.66
Switzerland	1.456
U.K.	1.641
West Germany	2.3615
Yokohama	163.80

Sources: Reuters, Bank of Tokyo, Commercial Union Bank, Citicorp, Deutsche Bank, Dresdner Bank, Federal Reserve Bank, First National City Bank, French Bank, German Bank, Italian Bank, Japanese Bank, London Bank, New York Bank, Paris Bank, Swiss Bank, Zurich Bank.

(i) To buy one pound, 100 U.S. dollars.

Interest Rates

Rate	May 18
1 month	5 1/4%
3 month	5 1/2%
6 month	5 3/4%
1 year	6 1/4%

Sources: Reuters, Bank of Tokyo, Commercial Union Bank, Citicorp, Deutsche Bank, Dresdner Bank, Federal Reserve Bank, First National City Bank, French Bank, German Bank, Italian Bank, Japanese Bank, London Bank, New York Bank, Paris Bank, Swiss Bank, Zurich Bank.

(i) To buy one pound, 100 U.S. dollars.

Key Money Rates May 18

Rate	May 18
1 month	5 1/4%
3 month	5 1/2%
6 month	5 3/4%
1 year	6 1/4%

Sources: Reuters, Bank of Tokyo, Commercial Union Bank, Citicorp, Deutsche Bank, Dresdner Bank, Federal Reserve Bank, First National City Bank, French Bank, German Bank, Italian Bank, Japanese Bank, London Bank, New York Bank, Paris Bank, Swiss Bank, Zurich Bank.

(i) To buy one pound, 100 U.S. dollars.

Asian Dollar Deposits May 18

Rate	May 18
1 month	7 1/4%
3 month	7 1/2%
6 month	7 3/4%
1 year	8 1/4%

Sources: Reuters, Bank of Tokyo, Commercial Union Bank, Citicorp, Deutsche Bank, Dresdner Bank, Federal Reserve Bank, First National City Bank, French Bank, German Bank, Italian Bank, Japanese Bank, London Bank, New York Bank, Paris Bank, Swiss Bank, Zurich Bank.

(i) To buy one pound, 100 U.S. dollars.

U.S. Money Market Funds May 18

Rate	May 18
1 month	5 1/4%
3 month	5 1/2%
6 month	5 3/4%
1 year	6 1/4%

Sources: Reuters, Bank of Tokyo, Commercial Union Bank, Citicorp, Deutsche Bank, Dresdner Bank, Federal Reserve Bank, First National City Bank, French Bank, German Bank, Italian Bank, Japanese Bank, London Bank, New York Bank, Paris Bank, Swiss Bank, Zurich Bank.

(i) To buy one pound, 100 U.S. dollars.

Maxwell
Bids for
HarcourtOffers \$2 Billion
For Publisher

Reuters

NEW YORK — Robert Maxwell, the British publisher, offered Monday to acquire Harcourt Brace Jovanovich Inc. for about \$2 billion, in a deal that would be the largest in a wave of mergers in the U.S. book publishing industry.

The \$44-a-share offer for Harcourt, one of the largest independent U.S. publishers, was made through Mr. Maxwell's British Printing & Communications Corp.

After the announcement, Harcourt's stock rose \$15.50 on the New York Stock Exchange to close at \$46. Other publishing stocks also rose sharply.

[Harcourt vehemently rejected the offer. United Press International reported. The company's chairman, William Jovanovich, called the bid "preposterous, both as to intent and value." He said that British Printing, in 1986, was less than 60 percent Harcourt's size.

"I refuse to believe that Mr. Maxwell can be allowed to preside over the largest educational publisher in the United States," Mr. Jovanovich said. "My parents sent me to school to become an American. That is the truth I have kept in 40 years of publishing for America's schools."

In a letter to Harcourt, Mr. Maxwell, publisher of the Daily Mirror, said he was prepared to discuss the proposal and price terms, but the offer was conditional on Harcourt not issuing any new shares.

The company, based in Orlando, Florida, is due to seek shareholder approval Friday to increase substantially the amount of its authorized common stock, a move that would make a takeover much more expensive. There are now about 40 million shares outstanding.

Harcourt publishes textbooks, scientific books and general books. It has diversified into amusement parks, television stations and insurance and last year earned \$75 million on sales of \$967 million.

If successful, the deal would easily top Time Inc.'s \$520 million acquisition of Scott Foresman as the biggest in the recent wave of book publishing takeovers. It would also mark another U.S. acquisition by an international publishing group.

In March, Mr. Maxwell's major rival, Rupert Murdoch, acquired Harper & Row Publishers Inc. for about \$300 million through his News Corp. Ltd., beating two rival suitors including Harcourt. Last September, Bertelsmann AG of West Germany agreed to buy the publishing operations of Doubleday & Co., another premier U.S. publisher, for \$475 million.

U.S. book publishers have become hot properties as investors focus on such undervalued assets as "backlists" of old best-sellers.

In two earlier U.S. acquisitions, Mr. Maxwell purchased Providence Grange and Webb Co. of St. Paul, Minnesota. Both are printers of consumer magazines and commercial catalogs.

Tokyo Stocks Looking Vulnerable

Trading Is Still
Hectic, but Signs
Of Fragility Arise

By Patrick L. Smith

International Herald Tribune

TOKYO — The blue-coated clerks who pack the trading floor at the Tokyo Stock Exchange are as active as ever these days, making orders in sign language and breaking into applause whenever a major stock bounds upward, which is often.

Outwardly, at least, there is little to suggest that the market's lengthy rally, which began its current phase last November, is weakening. The Nikkei index of 225 leading issues reached a record high last week and volume has also been at peak levels.

Beneath the frenetic pace of trading, however, signs of fragility are emerging. After a 50 percent increase in the index over the past six months, prices are increasingly vulnerable, analysts say, to rising interest rates, abrupt changes in the yen-dollar exchange rate, increased trade and political friction or a medium-term pickup in economic activity.

Powerful brokers and fund managers such as the Nomura and Yamazaki groups, whose strategies can turn the entire market around, are bracing for a retreat. Short-term speculative trades are increasing, even among institutions that normally hold long-term positions.

"There's not much question that a fairly dramatic adjustment is on the way," said John Takahashi, research director at Mitsubishi Research Institute Inc. "It's looking like a long, hot summer in the stock market."

There is no consensus as to how severe a downturn would be or what combination of events would trigger it. Reflecting the market's nervousness, however, almost all analysts expect further price gains to be accompanied by increasing volatility.

Mr. Takahashi predicted that the Nikkei average, driven by an avalanche of profit-taking, will drop by more than a third in coming months, to about 15,000. Less pessimistic analysts say prices are likely to fall back about 15 percent to 20 percent, much as they did in the two-



The trading floor of the Tokyo Stock Exchange.

-month decline that began last September.

On Monday the Nikkei index closed at 24,299.23, down 429.8 points from last Friday's record close of 24,729.03. Volume was 650 million shares, less than half the daily average last month.

Excessive liquidity and a short supply of tradable stock have forced Tokyo share prices steadily upward since early last year. On the basis of prospective corporate earnings per share, stocks here are now the world's most expensive.

The average price-to-earnings ratio on the Tokyo exchange is about 75, compared with roughly 15 in the major U.S. and European markets. In terms of market capitalization, Tokyo surpassed

New York last month to become the world's largest equity market.

Only foreign investors have been unnerved by these unusually high prices. With P/E ratios running to 200 or more on some leading stocks, the steady drain of overseas funds from the market, evident for several years, has increased markedly in recent months.

Until recently, at least, Japanese investors shared no such concerns. For them, equities have emerged as among the only attractive investments available to them since the Group of Five Western finance ministers agreed at a meeting in September

See TOKYO, Page 15

Goods Sold Illegally to North Korea

Agence France-Press

TOKYO — The Japanese police said Monday that a Japanese company had violated a Western embargo on strategic exports to Communist nations by selling various electronic goods to North Korea.

The police said Pak Il Ho, a resident of Tokyo who is an ethnic Korean and owns Tomei Shoji Co. of Osaka, would soon be charged along with several colleagues for violating Japanese laws regulating foreign trade.

The police asserted that the company had shipped integrated circuits, oscilloscopes and other electronic goods to North Korea from Yokohama between October 1985 and August 1986.

The goods are included on the list of 172 embargo items selected

by the Paris-based Coordinating Committee for Multilateral Export Controls, or COCOM, that groups Japan and all nations of the North Atlantic Treaty Organization except Iceland.

On Friday two Japanese companies, Toshiba Machine Co., a subsidiary of Toshiba Corp., the electronics and consumer goods conglomerate, and C. Itoh & Co., a trading company, were ordered by the government to suspend exports to 14 Communist nations for selling machine tools and computer technology to the Soviet Union.

The exports by the two companies and a Norwegian firm violated COCOM rules and helped the Soviet Navy build ultra-quiet submarines. U.S. Defense Department officials called the sales a blow to

Western anti-submarine capability.

Regarding Monday's announcement, the police said that after a tipoff last August, customs agents searched a Panamanian-registered freighter bound for North Korea at Yajui port, 110 miles (180 kilometers) southwest of Tokyo.

U.S. Factory Use
Slips to 78.9%,
Lowest Since '83

Reuters

WASHINGTON — U.S. mines, factories and utilities operated at just 78.9 percent of capacity in April, the lowest rate in more than three years, the Federal Reserve Board reported Monday.

The decline, from 79.3 percent in March, reflected large production cutbacks in automobile factories. It was seen as a new sign of weaker performance by the U.S. economy.

The April figure followed a 0.3 percentage point drop in March and was the lowest rate recorded by the Federal Reserve since December 1983, when plants were operating at 78.3 percent of capacity.

The overall April rate was affected strongly by the slump in the motor vehicle industry. Though rates for the mining and drilling sector and for utilities were up slightly, auto assembly plants were running at only 73.9 percent of capacity, down sharply from 81.2 percent in March.

Manufacturing industries operated at 79.5 percent of capacity in April, compared with 80 percent in March.

Capacity at factories producing durable goods, those expected to last three or more years, fell to 76 percent from 76.7 percent in March. The figure for nondurable goods dropped to 84.6 percent from 84.9 percent.

There were declines across a wide range of industries, including a fall to 69.6 percent of capacity use in April for electrical machinery producers from 70.1 percent in March, and a decline to 88.7 percent capacity for aerospace companies from 89.4 percent in March.

The operating rate in the mining and drilling sector rose 0.3 percentage point to 72.8 percent. Utilities also advanced, rising 0.2 percentage point to 79.5 percent.

The factory use data came amid mounting concern about the economy's performance during the second quarter. A strong 4.3 percent rise in gross national product, the total output of goods and services, was reported for the January to March period.

Revised GNP figures for the first quarter are scheduled to be published Friday, and some economists think they may show an even stronger quarterly gain because of big inventory buildups.

But the stocks of unsold goods are casting a shadow over second-quarter prospects as industry cuts back output in order to reduce inventory. That could hurt employment opportunities later.

While the monthly trade deficit improved in March to \$13.6 billion dollars from \$15.1 billion in February, inflation fears have resurfaced and could bring higher interest rates.

Economists See Inflation
At 4.3%, Faster Growth

United Press International

WASHINGTON — U.S. business economists now predict a higher inflation rate for this year than they did six months ago but still consider a recession unlikely in 1987, according to survey results released Monday.

The survey of 4,000 economists in government and business, carried out by the National Association of Business Economists, found a median forecast of a 4.3 percent inflation rate this year.

The median — the point at which half are above and half are below — was 3.8 percent in a similar survey conducted in the last three months of 1986.

But the poll also found greater optimism, with the economists expecting the economy to grow by a median 2.9 percent through this year, up from 1986's 2.0 percent.

Their growth prediction, if realized, would make the current expansion one of the longest growth periods in the United States since World War II.

One reason for the optimism is that 54 percent of the analysts reported rising demand in the companies for which they work.

The economists also said they believed the nation's merchandise trade deficit would total about \$155 billion this year, down from 1986's record of \$166 billion.

Most of those polled supported the current policies of the Reagan administration and were critical of protectionist trade legislation being considered in Congress.

More than three-fifths of the economists opposed import quotas and across-the-board or selective tariffs.

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Volcker's Stay at Fed Still in Question

By Robert D. Hershey Jr.

New York Times Service

WASHINGTON — Whether Paul A. Volcker will be offered reappointment as chairman of the Federal Reserve and, if so, whether he will accept, remains among the major unanswerable questions of the Washington political season.

It may be that Mr. Volcker himself has no idea what will happen when his term runs out Aug. 6. But his unsurpassed reputation as question-dodger and policy obfuscator — one of the requirements of the Federal Reserve job — is such that when a herd of reporters had a rare chance recently to question him for several minutes on Capitol Hill not one bothered even to ask the most important question of all.

In some circles Mr. Volcker is considered the most successful central banker in U.S. history because of his triumph over two-digit inflation and his successes in coping with the problem of debt among underdeveloped nations. But some advisers to the Reagan administration are fearful of the political implications if Mr. Volcker sees evidence of revived inflation and moves toward an even tighter money supply.

For several months last year it was thought that Mr. Volcker had a less than even chance to be offered reappointment and was seriously considering his options.

But then came the departure of the White House chief of staff, Donald T. Regan, a longtime nemesis, and then the debt default by Brazil and the near-collapse of the dollar in international currency markets. It was thought that the Reagan administration needed Mr. Volcker at the helm, and the odds shifted to favor reappointment.

Howard H. Baker Jr., the new chief of staff, is offering no clues. "I am not about to imply what choice the president will make on the appointment, nor am I about to imply

— because I don't know — what Chairman Volcker's attitude is toward reappointment," Mr. Baker told a television interviewer.

Time is growing a bit short. And some people contend that reappointment, if that is the decision, should be announced before the economic summit in Venice begins June 8 so Mr. Volcker will have a strong hand.

Others say that is not important since some heads of state themselves look like lame ducks and in Italy, the host country, parliament has been dissolved prior to general elections June 14.

No one will even say whether the White House has given any serious thought to the Federal Reserve chairmanship. Perhaps it has been too preoccupied to do so. But there are others who suspect that the White House is awaiting some sign from Mr. Volcker, a nominal Democrat, that he is sensitive to the Republicans' need for hefty economic growth in advance of the 1988 elections.

With the stakes so high, this kind of information vacuum produces many rumors.

One theory is that Mr. Volcker has decided not to run any further risk that disagreement with fellow Federal Reserve governors over is-

sues of bank regulation — he was recently on the short end of a 3-2 vote — will spill over into the all-important subject of monetary policy. Governors originally appointed by President Ronald Reagan already outnumber him 4-1 and a fifth awaits almost certain confirmation by the Senate.

While this threat does indeed exist, some argue it leads to the opposite conclusion: a stubborn Mr. Volcker seeking to stay on to oppose a policy he deems inflationary.

"He does not run from an encounter or a fight," said Robert J. Genetski, a Federal Reserve watcher at the Harris Trust & Savings Bank in Chicago.

If Mr. Volcker takes himself out of the running, this banker added, it will be because he wants to and not because of "things getting rough."

One of Mr. Volcker's best friends, Professor Robert A. Kavesh of New York University, said that he suspects that what will happen is "still a matter of chance."

In other words, Mr. Kavesh asserted, "if he's jerked around he'll make his own plans. But if the president comes to him with a strongly felt urging that he stay on, my impression is that he would."

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BUSINESS ROUNDUP

Unilever Profit Rose 48% in Quarter

Reuters
LONDON — Unilever, the British-Dutch consumer goods conglomerate, said Monday that pre-tax profit for the first quarter had jumped 48 percent to £349 million.

BOC's Pretax Up 30% in Half; Sales Slipped

Reuters
LONDON — BOC Group PLC, the producer of industrial gases, reported Monday a pre-tax profit of £119.7 million (\$200.8 million) for the six months ended March 31, up 30 percent from the previous year. Sales slipped 0.2 percent to £1.13 billion.

BOC, formerly British Oxygen Corp., said group debt in the first half fell 10.8 percent to \$471.5 million from £529 million.

Net earnings rose 41.6 percent to £76.9 million, BOC said.

The company said the results were in line with expectations. It said changes in exchange rates and last year's forward sale of dollars had obscured a 49 percent rise in underlying pretax trading profit.

(\$585.6 million) from £236 million in the year-earlier period.

The results were well above analysts' forecasts. Unilever PLC's shares rose sharply in London to close at 3,034 pence Monday after ending at 2,868 pence Friday.

Michael Angus, chairman of Unilever PLC, said the results reflected a strong performance in all regions and for all products.

He said it included the first contribution from Chesebrough-Pond's Inc., the U.S.-based food and health product company that Unilever NV acquired in December.

Unilever said that Chesebrough-Pond made a significant contribution to operating profit, particularly in North America. After deducting the financing cost of the acquisition, the contribution to profit attributable was £7.0 million.

Unilever said its results also benefited from the previously announced change in accounting for depreciation of tangible assets. The effect of these changes was to increase operating profit in the first quarter by £16 million.

Overall, the improved results in North America reflected higher volumes for all product groups.

Operating profit in North America was £55 million in the first quarter after a £12 million loss in the corresponding period last year. Unilever said this was the quarter in which its planned market investment in the region was lower than the corresponding period last year.

Operating profit in Europe climbed to £223 million after £160 million in last year's first quarter, due partly to improved margins.

Operating profit in the rest of the world rose to £100 million from £83 million in the 1986 period.

Unilever said exchange rate movements did not have a major impact on the quarter's results.

Norway Boeing Order Expected

Reuters
OSLO — Norwegian television said Monday that Braathens SAFE AS, Norway's biggest fully private airline, would order 25 medium-size planes from Boeing Co. for an estimated \$600 million.

Braathens said after a board meeting Monday that it would announce Thursday whether it would buy 737s from Boeing Co. or planes from McDonnell-Douglas Corp.

Braathens now has 17 Boeing 737-200s. The new planes, more recent models of the 737, are set for delivery by 1995. They will be financed in part by the sale of the older planes.

Bern Rejects Bid By Alusuisse for 50% Capital Cut

Reuters
BERN — The Swiss federal registrar's office said Monday that it had refused to register part of a proposed 50 percent capital cut by Alusuisse, the aluminum producer.

The refusal means that the cut has no force in law.

The office director, Walter Lussy, said that Alusuisse's failure to consult holders of participation certificates before making the move appeared to contravene Swiss securities law. The certificates are nonvoting shares.

A spokesman for Alusuisse, the country's biggest aluminum producer, said the company would consider the office's decision in the federal court.

Holders of registered and bearer shares approved on April 22 a management plan to halve Alusuisse's capital. This accounting move was designed to help the company write off huge losses.

Alusuisse had losses of 688 million Swiss francs (\$470.6 million) last year, after a restated loss of 756 million francs in 1985.

Swiss law does not cover participation certificates. However, Mr. Lussy said he believed rules on a similar instrument, dividend-right certificates, applied.



Chrysler's chairman, Lee A. Iacocca, beside a Lamborghini Countach in Detroit.

Lamborghini at a Fork in the Road

By David Brown
Special to the Herald Tribune
ST. AGATA, Italy — One month after Chrysler Corp.'s acquisition of Lamborghini, the maker of high performance sports cars, executives here and in Detroit are still debating how far to go in boosting production and sales without sacrificing the Italian company's legendary reputation for quality.

After all, the auto aficionado who hands over nearly \$130,000 for the Countach, Lamborghini's 12-cylinder, top-of-the-line model, is paying for the mystique of what is billed as the world's fastest production automobile.

Chrysler, which analysts say paid up to \$25 million for Nuova Automobili F. Lamborghini SpA, as it is formally known, sees the company as the vehicle to spearhead its drive into the luxury car market in America and Europe. Chrysler already has a stake in Italy's Maserati, which is building a sports car under contract for the U.S. market.

But can a big Detroit automaker piggyback on the cachet of a tiny company, Italy's last independent sports car maker, without sacrificing craftsmanship and identity in the process?

"The first thing Chrysler guaranteed was to leave the personality and image of Lamborghini precisely as it is today," the company's president, Emilio Novaro, said in an interview here last week.

"But one thing is clear — you can't build a car like this on the assembly line and still call it a Lamborghini," Mr. Novaro said, pointing to a Countach.

Michael Hammes, Chrysler

vice president-international, said in a telephone interview Monday from Detroit that, "We're not going to be sitting on our hands with Lamborghini. Our initial objective will be to develop the company into a Ferrari-type producer, in a reasonable time frame."

Ferrari's 1986 production was 3,640 units, while Lamborghini's was 460.

"We don't want to change the handcrafted nature of the Countach," Mr. Hammes said. "But in terms of the next car that's coming down the road, it's obviously going to have to be built differently."

According to officials here, Chrysler's plans could translate into a 10-fold production increase within six years and a new car, perhaps jointly produced, for a broader market.

Lamborghini officials said two major alternatives were being studied: the introduction of a new Chrysler-Lamborghini car, and building a new generation of Lamborghini's Jalpa auto, to compete in the same market as the Mercedes-Benz.

In either case, the new car would be priced at \$50,000 to \$70,000 and output would be built up to about 3,000 to 4,000 units within six years, officials said.

In spite of its superlative product, Lamborghini has always had trouble balancing quality against cost. Since it was founded 25 years ago as an "industrial hobby" by Ferruccio Lamborghini, a tractor maker, it has almost perpetually teetered on the verge of financial disaster.

The company was rescued from bankruptcy in 1980 by the Minnari family of France, which

invested about 17 billion lire to boost production of the Countach from about 50 vehicles a year to the present 220.

Lamborghini broke even last year on sales of 28 billion lire (\$22 million), and Chrysler officials say the company should record a modest profit this year.

The company now also builds about 80 of its \$60,000 V-8 powered Jalpa model, and 160 of the LM-002 luxury four-wheel drive off-road vehicle that sells for \$120,000 this year in the United States. This year, the company expects to at least match its 1986 performance on sales of 47 billion lire.

A visit to Lamborghini here, near Bologna, reveals a plant that is more workshop than factory.

Here, steel tubes and sheet aluminum are sculpted by hand into car bodies. Doors are individually crafted with hammer and blow torch on stand-up jigs before being fitted to the body.

Nearby, a special base and five coats of paint are hand sprayed and then baked onto each body before the 455-horsepower, 12-cylinder engine is installed.

On the shop floor opinions are divided about the future. Some want the company to stay true to the principles of high craftsmanship. Others, mindful of increased job prospects for the town, want expansion.

But whatever route the new owners take, Mr. Novaro cautions, they should be ever mindful of what the Lamborghini name means in the automotive world. "The customer expects more of a machine with our name on it," he said. "It must have Lamborghini power."

Offering Price of \$80-\$85 Expected for Havas Shares

By Axel Krause
International Herald Tribune

PARIS — The offering price for shares in Agence Havas SA, the big French advertising group being prepared for privatization, is expected to be between 480 francs and 510 francs (\$80.50 and \$85.60), company and banking sources said Monday.

The Finance Ministry will announce the price and other details of Havas's privatization on Friday, with the offering to begin Monday, ministry and Havas sources said. This, they said, would include the identity of a core group of shareholders friendly to Havas.

The French government owns 44.7 percent of Havas's 12.6 million shares outstanding. The value of the government's stake is estimated at around 3.5 billion francs.

About 33 percent of the shares are in private hands, and the remaining shares are controlled by institutional investors, including state-controlled banks.

The core group is expected to end up with a 20 percent interest in Havas, company sources said.

About 20 core-group candidates,

mainly French companies but including several U.S. companies, have submitted bids, said Pierre Dauzier, Havas's chairman.

About 18 percent of the capital, or 2.5 million shares, will be offered for public sale. About 5 percent, or 600,000 shares, will be sold to employees at a discount.

Havas executives emphasized that the share price projections were "rough estimates" based on recent trading prices on the Paris Bourse. Trading in Havas shares was suspended Monday in preparation for the privatization.

Mr. Dauzier said 1987 consolidated net earnings and sales would each rise about 20 percent from 1986. He cited revenue from advertising and tourism, and from Havas's 25 percent share in the Canal Plus cable television network.

Havas had a 1986 net profit of 426 million francs on sales of 11.3 billion francs.

Commenting on industry trends in France, Mr. Dauzier said that television, the fastest-growing sector, would account for about 30 percent of total advertising revenue within several years, compared to 18.5 percent last year.

GERMANY: Secondary Market

(Continued from first finance page)

The potential is there. But the secondary market is understandably a more regional market, with regional companies. The international aspect is not the first priority.

Instead, Mr. von Rosen envisions the market as a place not only for companies to raise capital, but also to gain experience.

"I hope this will be only one station for companies," he said. "We do expect that companies will use this market to gain experience in going public and later to move on to official listing. Right now it's a David of 29 companies against a Goliath, but experiences with opening new markets show this will change and we expect it to grow."

Changing the way small companies feel about providing investors with a glimpse of their activities is another goal of the secondary market. Many smaller concerns are not obliged to provide information about their profits, sales or financing.

"It was necessary to install this market on a legal basis to provide investors with the necessary information about these companies," Mr. von Rosen said.

The secondary market operates much like official trading, but a company faces less stringent financial reporting requirements, he said.

An annual report with sales figures is required, but a company will have to disclose fewer financial details than those in official trading. The capital base needed to be listed is also smaller, and the cost of issuing shares will also be only about half the cost of a regular listing, equities analysts said.

While the secondary market may be off to a slow start, the federation has convinced many doubters that West Germany's stock exchanges are willing to work together.

"We are on track. The federation has settled itself and is becoming active," Mr. von Rosen said.

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Plan Helps Kuwait Banks Dig Out From Avalanche of Bad Debt

By Olaf Tohamy
Special to the Herald Tribune

CAIRO — Kuwait's banks, propped by a government rescheduling of more than 1.2 billion dollars (\$4.4 billion) of nonperforming loans, are emerging from a liquidity crisis caused by the collapse of the country's unofficial stock exchange in 1982.

Officials of the Central Bank of Kuwait said the commercial banks were negotiating the rescheduling of almost half of the bad debts that accumulated when the Souk al-

Manakh, the unofficial bourse, collapsed.

The settlement of the nonperforming loans, amounting to more than one-quarter of the Kuwaiti banks' total assets, is taking place under a plan initiated by the government last August. The long-term plan restates the government's commitment to support the banks through a rescheduling process that extends over 10 to 15 years.

The central bank of Kuwait has placed deposits amounting to more than 230 million dinars with the banks that were unable to meet

requirements for loss reserves. The National Bank of Kuwait, the country's largest commercial bank, was the only one of six banks whose reserves were sufficient to meet new standards imposed by the central bank.

The governor of the central bank, Sheikh Salem al-Sabah, said that "the implementation of the plan is proceeding, and the situation is much better than before."

The chief economist of the National Bank of Kuwait, Ziad Taqi, said, "Things are moving faster now that the governor began talk-

ing tough to the debtors and the banks."

Sheikh Salem has urged the banks to take legal action against defaulters who did not respond to their banks' invitation for discussing the settlement of their bad debts, were proven to have provided incomplete data on their financial positions, or refused rescheduling proposals presented to them.

Bankers praised the attitude of the recently appointed governor toward defaulters, one-quarter of whom were proven able to service their debts.

COLUMBIA SECURITIES N.V.

Amsterdam

In accordance with the decision of the Annual General Meeting of Shareholders held on Wednesday 13 May 1987, no dividend will be distributed for Financial Year 1986. The 1986 net income will be added to the undistributed profits.

Amsterdam, 14 May 1987.

ABN-de Neufelize International
Investment Advisory Company B.V. (Managing director)

TRANS EUROPE FUND N.V.

Amsterdam

In accordance with the decision of the Annual General Meeting of Shareholders held on Wednesday 13 May 1987, the dividend for Financial year 1986 is fixed at Fl. 0.48 per share of nominal Fl. 25.00 each.

The dividend will be paid as from 29 May at the office of Algemene Bank Nederland N.V., Amsterdam or at Banque de Neufelize, Schlumberger, Mallet, Paris. Holders of CF-shares will receive their dividend through the intermediary of the institutions where the dividend sheets were in custody on May 13, 1987 at office closing time.

At this General Meeting of Shareholders Mr. G.H.J.C. Pineau, general manager of Omnium Financier de Pairs, was appointed Member of the Supervisory Board.

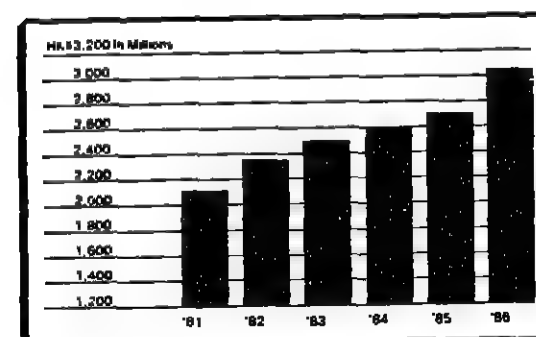
Amsterdam, 14 May 1987.

ABN-de Neufelize International
Investment Advisory Company B.V. (Managing director)

The Hongkong and Shanghai Banking Corporation

1986 Results

- Group profits increased by 12.4 per cent from HK\$2,719 million to HK\$3,056 million (US\$348 million to US\$392 million).
- The trend of group profits for 1987 is encouraging and the Board expects to be able to declare an interim dividend of HK\$0.12 and to recommend a final dividend of at least HK\$0.25 on the increased capital.
- One-for-eight capitalisation issue.
- One-for-eight rights issue to raise HK\$3,303 million and further strengthen the capital base.



Published group profit

Financial Highlights

1985	1986	1986
HK\$ in Millions	HK\$	US\$
3,627	Total group profit	4,075 523
2,719	Attributable group profit	3,056 392
21,882	Shareholders' funds	26,511 3,399
545,610	Total assets	715,284 91,715
HK\$0.72	Earnings per share	HK\$0.81 US\$0.10
HK\$0.38	Dividends per share	HK\$0.41 US\$0.05

Commercial banking

Profits of Hang Seng Bank rose 12.8 per cent to HK\$1,051 millions.

Profits of Marine Midland Bank rose 15.8 per cent to US\$145 million. Marine Midland has acquired Westchester Financial Services Corporation and has entered into an agreement to acquire First Pennsylvania Corporation.

In November Hongkong Bank of Canada took over most of the assets and liabilities of the Bank of British Columbia.

Hongkong Bank of Australia opened in February 1986 and now has eight branches.

Merchant banking & capital markets

Profits of the Wardley Group rose 95 per cent to HK\$177 million.

James Capel & Co, the London-based stockbroking company which became a wholly-owned subsidiary in 1986, doubled its profits. James Capel has been awarded a branch licence in Tokyo.

During 1986 the parent Bank acquired from Marine Midland 51 per cent of the CM&M Group whose principal subsidiary, Carroll McEntee & McGinley, is a leading primary dealer in US government securities.



Hongkong Bank

The Hongkong and Shanghai Banking Corporation

Marine Midland Bank • Hang Seng Bank
The British Bank of the Middle East • Hongkong Bank of Australia • Hongkong Bank of Canada

Wardley • James Capel • CM & M
Equator Bank

Carlingford and Gibbs Insurance Groups
Concord Leasing

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Monday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
In The Associated Press

12 Month High	Low	Stock	Div. Yld. PE	52 Week High	Low	Close	Change
100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3
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INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 18th May 1987

12 Month High	Low	Stock	Div. Yld. PE	52 Week High	Low	Close	Change
100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3
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100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3
100	95	ABN AMRO	1.2	100	95	98	+3

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SPORTS

Gretzky Returns to Form as Oilers Win Cup Opener

Compiled by Our Staff From Dispatches

EDMONTON, Alberta — There was Wayne Gretzky, storming into the circles, carving around the net, behind Ron Hextall and generally presenting his offensive talents to the detriment of the Philadelphia Flyers and to the delight of his teammates.

"I hadn't seen him smile that way in a long time," said Paul Coffey, another Edmonton Oiler whose scoring renaissance was at Philadelphia's expense.

Gretzky scored a goal and had an assist in Sunday's 4-2 victory over the Flyers in the opening game of the National Hockey League's Stanley Cup championship series, which is to resume here Wednesday night.

Gretzky, who had lately been concentrating on his defensive skills while awaiting a rekindling of his scoring touch, said his performance was a relief.

"I was overjoyed," Gretzky said of his joyful reaction to putting the team up, 1-0, in the first period. "It relieved a lot of the tension that's been on me. For a while, I forgot what the net looked like."

Gretzky was held without a goal in Edmonton's five-game victory over Detroit in the Campbell Conference finals. His last score had come in a victory over Winnipeg on April 27.

"With the situation I'm in," he said, "there's been a lot of pressure for a lot of years, and even though

STANLEY CUP FINALS

your team is winning people still want to know what the problem is."

Gretzky also wanted to know what his problem was. But he did not want to dwell on what he perceived as a personal deficiency amid the club's efforts to regain the Stanley Cup, which it last won in 1985.

So he suffered in silence — until Sunday night.

Earlier in the day, Gretzky had seen Boston's Larry Bird react to a pressure situation in the National Basketball Association playoffs. He watched Bird, who in three previous losses to Milwaukee hadn't scored a fourth-quarter point lead in a final-period rejuvenation of the Celtics, and determined that this would be his night to return to dominance as well.

"When I came to the rink for the game, I just felt like I had it," he said. "My confidence was back. You can't imagine how good that felt."

Gretzky's goal, his 68th in post-season competition, tied him with his idol, Gordie Howe, for fourth place on the all-time playoff scoring list.

"When I got the breakthrough in the third period, I had a chance to break the record and missed," he said. "Hopefully, I can break it Wednesday night. Now that this

game's behind us, Wednesday's the most important one."

In the past, the Flyers had been apprehensive when the Oilers changed from an offensive to a defensive club, and their worries proved legitimate in Sunday's final period.

Thanks to Brian Propp's goal late in the second period, the teams were tied at 1-1 after two periods, but Edmonton assumed a 2-1 lead 48 seconds into the third and added two more goals goal before the period's halfway point.

Behind the bench, Coach Glen Sather couldn't smother a grin. "We had that rally, the kind of rally we've had in the past," said Kevin Lowe. "It was sort of vintage Oilers, not a necessity, but to be able to win the game in that way made the night a lot easier."

Philadelphia's goalie, Hextall, the rookie who guided his team through a six-game Wales Conference finals against the Montreal Canadiens, said that he had faced more quality scoring chances Sunday night than he could counter.

"I didn't play my greatest game of the year," he said. "But I'm confident, too. I know I'm capable of playing better. I thought my team played a great game, and I thought we let down for ten minutes and it cost us."

Rick Tocchet gave the Flyers a second goal, but they couldn't re-

cover further, and Edmonton won before the first sellout crowd (17,502) of these playoffs at the Northlands Coliseum.

At the start of the final period, Glenn Anderson scored Edmonton's second goal on his second attempt from a prime spot just beyond the right post. Paul Coffey made it 3-1 when he collected Gretzky's pass and fired from the left circle. Jarri Kurri scored from the opposite circle after another pass — this one from Mark Messier, who banked the puck off the boards and onto Kurri's stick.

The spree didn't dishearten the Flyers, who have fought deficits by exerting more force on the opponent's defense, but the Oilers increased their protection of goalie Grant Fuhr, who finished the period unscathed.

"We can skate with them," Tocchet said. "but we can't let them skate away from us. We can play them offensively, but we can't let them play too offensively. And since it doesn't seem to be getting called by the officials, we might as well do a little more clutching and grabbing."

"We're upset with the letdown we had in the third period," Tocchet said, "because we aren't rookies anymore, and you can't call that a rookie mistake. They really took it to us. We've got until Wednesday to regroup."



Kelly Buchberger of Edmonton and Dave Brown drew major penalties for their first-period set-to.

Ex-Dodgers Help A's Shut Down Blue Jays

Compiled by Our Staff From Dispatches

OAKLAND, California — Faded Dodger blue made an impressive showing in Oakland green here Sunday afternoon.

Former Los Angeles third baseman Ron Cey hit his first American League home run, and one-time

BASEBALL ROUNDUP

Dodger Dave Stewart threw a four-hitter to lead the Athletics to a 3-0 victory over Toronto.

Stewart went into the sixth inning without having allowed a hit, and he reminded himself that Milwaukee's Ted Williams did the same thing against Oakland last week. "Higuera went into the seventh with a no-hitter and he ended up losing. The important thing is to win," said Stewart, whose no-hit bid was broken up by Tony Fernandez's two-out single in the sixth.

Stewart had seven strikeouts and walked three in recording his first complete game of the season and the second shutout of his seven-year career. All of Toronto's hits were singles.

"The scoreboard said it all — no

runs and four hits against as good an offensive club as there is in the league," said winning manager Tony La Russa of Stewart's performance.

The night-hander did not allow a runner past second base until the eighth inning, when Willie Upshaw's third, single sent Ernie Whitt to third. Stewart struck out Fernandez to end the inning.

Oakland took a 1-0 lead in the first on Jose Canseco's fourth homer of the season (and second in three games). Cey, who had gone 33 at-bats this year without a home run, led off the second by hitting John Cerutti's first pitch into the left-field bleachers. It was Cey's first home run with Oakland after 312 in 14 National League seasons with Los Angeles and Chicago.

In the fourth, Cey walked for the 1000th time in his major-league walk. He is the 55th player to reach that plateau.

"I haven't played a whole lot," Cey said. "So I'm glad I was able to get something going."

Cerutti left in the sixth after walking two batters and Jeff Musselman gave up an RBI single to

Mike Davis, who hit safely in his 10th straight game.

Twins 10, Red Sox 8: In Minneapolis, bases-empty home runs by Gary Gaetti and Tom Brunansky tied the score in the Minnesota ninth, and Kent Hrbek's two-run homer in the 10th powered the Twins past Boston.

The Red Sox had wiped out a 6-1 deficit by scoring seven runs in the eighth. Dave Henderson ignited the inning with a pinch homer and capped it with a run-scoring single.

Hrbek's game-winning homer came after Dan Gladden had singled to lead off the 10th against Calvin Schiraldi and Kirby Puckett struck out.

White Sox 8, Rangers 5: In Chicago, Donnie Hill's run-scoring single and Tim Lincecum's sacrifice fly in the seventh accounted for the tying and lead runs, and Greg Walker hit a two-run homer in the eighth, lifting the White Sox over Texas.

With one out in the seventh, Jerry Hairston walked and went to second on a balk by Greg Harris. Hill singled Hairston home and continued to second when right fielder Ruben Sierra booted the ball for an error. Carlton Fisk

looped a single over short, sending Hill to third, and Hulet's sacrifice fly gave Joel McKeon his first victory of the year.

Yankees 3, Mariners 3: In Seattle, Dan Pasqua's three-run homer in the fifth broke a 3-3 tie.

Surviving a three-run Mariner first, winner Joe Nickerson went 7½ innings, allowing five hits, walking six and striking out eight before Dave Righetti came on for his 10th save of the year. Righetti retired Dave Valle on a grounder to end the eighth with two runners on base, and pitched a perfect ninth.

Orioles 3, Angels 2: In Anaheim, California, Rick Burleson singled home the tying run with two outs in the ninth, and left fielder Mark Ryal's fielding error on the play allowed the winning run to score.

Reliever DeWayne Buice surrendered a one-out single to Ray Knight and walked Terry Kennedy. After Larry Sheets struck out, Burleson hit a soft liner into left. Ryal pulled up when he realized he couldn't catch the ball, which fell at his feet and skipped past him as pinch runner-Rene Gonzales and Kennedy scored.



J.C. Anderson/Reuters-United Press International

Johnson of Lakers Named MVP

Earvin (Magic) Johnson, who led the Los Angeles Lakers to the National Basketball Association's best record (65-17) with a career-high 23.9 points a game and a league-best 12.2 assists, on Monday named the league's most valuable player for 1986-87. Chicago's Michael Jordan finished second in the balloting by 34,000 votes.

Johnson, 29, of the Los Angeles Lakers, was named MVP.

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Catching Hell for Hart

"Then I suppose none of them is having this conversation tonight with their wives?"

"I hope not. Are you finished with this congressional hearing?"

"Yes," my wife said. "But I think you ought to be warned that if you so much as open the front door for an Avon lady, I'll throw all your clothes out in the street."

Gielgud—I don't mean to compare myself to him as an actor!—who takes small roles in good pictures. But I really am a frustrated golfer. My dream is not to play King Lear; I'd rather be Jack Nicklaus."

Two former Philadelphians living in Europe have won top honors in the first international competition sponsored by a Swiss foundation for the promotion of children's books, inspired by the late child psychologist Jean Piaget. A check for 10,000 Swiss francs was presented in Geneva to Aliki (the professional name of Miss. Fran Brandenburg of London) for her illustrated book "Feelings," and a special award was made to the photographer Tams Holben of Paris.

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